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ABSTRACT

This instructor guide for a unit on business plans in the PACE (Program for Acquiring Competence in Entrepreneurship) curriculum includes the full text of the student module and lesson plans, instructional suggestions, and other teacher resources. The competencies that are incorporated into this module are at Level 3 of learning--starting and managing one's own business. Included in the instructor's guide are the following: unit objectives, guidelines for using PACE, lists of teaching suggestions for each unit objective/subobjective, model assessment responses, and overview of the three levels of the PACE program. The following materials are contained in the student's guide: activities to be completed in preparation for the unit, unit objectives, student reading materials, individual and group learning activities, case study, discussion questions, assessment questions, and references. These objectives are addressed: explain the importance of strategic planning for one's business; explain how the business plan helps the entrepreneur; assess the need for conducting a feasibility study; apply the basic communication skills to the development and presentation of one's business plan; and describe how a business plan should be organized. (YLB)

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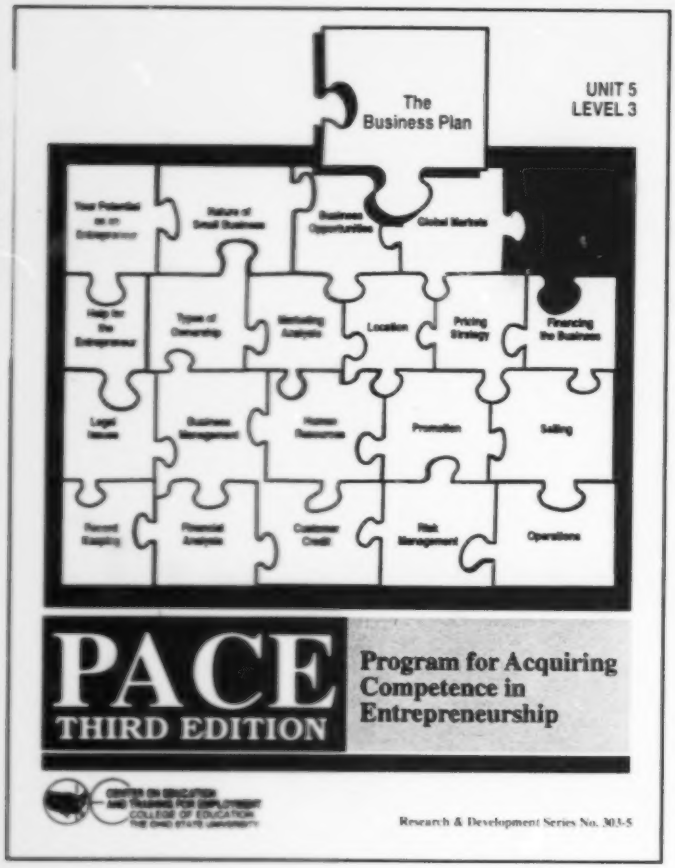

INSTRUCTOR GUIDE

Unit 5

The Business Plan

Level 3

HOW TO USE PACE

- Use the objectives as a pretest. If a student is able to meet the objectives, ask him or her to read and respond to the assessment questions in the back of the module.
- Duplicate the glossary from the *Resource Guide* to use as a handout.
- Use the teaching outlines provided in the *Instructor Guide* for assistance in focusing your teaching delivery. The left side of each outline page lists objectives with the corresponding headings (margin questions) from the unit. Space is provided for you to add your own suggestions. Try to increase student involvement in as many ways as possible to foster an interactive learning process.
- When your students are ready to do the *Activities*, assist them in selecting those that you feel would be the most beneficial to their growth in entrepreneurship.
- Assess your students on the unit content when they indicate they are ready. You may choose written or verbal assessments according to the situation. Model responses are provided for each module of each unit. While these are suggested responses, others may be equally valid.

Objectives:

- Explain the importance of strategic planning for your business.
- Explain how the business plan helps the entrepreneur.
- Assess the need for conducting a feasibility study.
- Apply the basic communication skills to the development and presentation of your business plan.
- Describe how a business plan should be organized.

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Objectives	Teaching Suggestions
1. EXPLAIN THE IMPORTANCE OF STRATEGIC PLANNING FOR YOUR BUSINESS	
What is a business plan?	Refer to the sample business plan at the end of the unit. First, have students briefly review the plan. Next, have students define the concept of the business plan in their own words. Finally, ask students to list questions that *they* believe a complete business plan should answer. Discuss findings.
How do you *strategically* plan for your business?	Introduce the concept of strategic thinking. Use the three steps listed in the unit as a guideline. Encourage students to research successful entrepreneurs and how they planned their businesses. Facilitate the thinking process of the students by introducing new concepts (e.g., economic forecasts, contingency plans, etc.).
2. EXPLAIN HOW THE BUSINESS PLAN HELPS THE ENTREPRENEUR	
How does the business plan help the entrepreneur?	Use examples to assist students in understanding the concepts of venture capital, seed money, initial public offering (IPO's), etc. Encourage students to record the definitions of these concepts on note cards.
3. ASSESS THE NEED FOR CONDUCTING A FEASIBILITY STUDY	
Why do you need to develop a feasibility study?	To help students grasp the significance of this section, review the concepts related to financial statements. It is important to help students understand the relationship between the feasibility study and financial projections. If students need a more extensive review of the accounting/finance concepts, see PACE Unit 11, Financing the Business, and/or PACE Unit 18, Financial Analysis.
4. DESCRIBE HOW A BUSINESS PLAN SHOULD BE ORGANIZED	
How should a business plan be organized?	Use a chalkboard or an overhead to list the main sections of the business plan. Invite a local entrepreneur who has recently opened a business to speak about his/her business plan. Suggest that the entrepreneur highlight the main sections as he/she discusses the business plan.

Objectives	Teaching Suggestions
5. APPLY BASIC COMMUNICATION SKILLS TO THE DEVELOPMENT AND PRESENTATION OF YOUR BUSINESS PLAN	
How do develop your business plan?	Suggest that the entrepreneur address the process he/she used in developing the business plan. Ask the entrepreneur to focus on how he/she gathered, and analyzed the data pertaining to the plan, as well as how he/she developed the final draft of the plan.
How do you use basic communication skills to present a business plan?	For teaching purposes use the sample business plan in this unit, and/or ask a local entrepreneur or banker to provide a model business plan. Ask students to determine if the plan is well-written, complete, and easy to understand. What would they change? Outline the basic communication skills needed by an entrepreneur to develop a good plan.

MODEL ASSESSMENT RESPONSES

1. The major sections of the business plan include: cover sheet, table of contents, executive summary, description of the business, marketing plan and market analysis, management/organizational plan, operations plan, financial plan, and appendices.

2. Entrepreneur's may secure start-up capital from their own savings, or borrow money from their friends, relatives, acquaintances, banks, lending agencies, or venture capitalists. In addition, entrepreneurs have the opportunity to make a public offering to raise capital.

3. Raising capital on the financial markets is realized through initial public offerings (IPOs). In an IPO, the entrepreneur offers investors shares of stock in the company in exchange for their capital. Some advantages of IPOs are: (1) the investor need not use all his/her savings; (2) many small investors will have "control" of the company rather than a few large venture capitalists; and (3) the IPO helps the business to become more involved in the business community. Some disadvantages of IPOs include: (1) high costs related to the SEC filing process; (2) competition on the financial markets with large companies that have a long-history on the market; and (3) the pressure investors exercise on the business to become profitable in a short period of time.

4. Prior to developing a business plan, the entrepreneur should perform an *opportunity analysis* to assess the need for the business in the market. To correctly evaluate the market demand for the product/service, the entrepreneur should perform an *economic analysis*. Next, a preliminary business plan or *feasibility study* should be developed to estimate the costs to start and keep the business going, as well as determine when the business will start to generate a profit.

5. Entrepreneurs need to use basic communication skills to develop and present a business plan. It is helpful to gather the data using a note book with dividers for each major section. Details can be written on note cards that should be categorized by topic. After developing the preliminary draft, the entrepreneur should make sure that information is consistent throughout the business plan.

   The final draft should be contain short, clear paragraphs to help the reader understand the plan more easily. Any kind of redundant information should be taken out; conversely, charts, graphs, tables, and appendices should be included if they contribute to a better understanding of the business plan. The entrepreneur should use the spell-check feature of a wordprocessor, but also reread the draft many times to produce an error-free final draft.

PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

Incorporates the needed competencies for creating and operating a small business at three levels of learning, with experiences and outcomes becoming progressively more advanced.

Level 1 — Understanding the creation and operation of a business.
Level 2 — Planning for a business in your future.
Level 3 — Starting and managing your own business.

Self-contained **Student Modules** include: specific objectives, questions supporting the objectives, complete content in form of answers to the questions, case studies, individual activities, group activities, module assessment references. **Instructor Guides** include the full text of each student module and lesson plans, instructional suggestions, and other resources. **PACE, Third Edition, Resource Guide** includes teaching strategies, references, glossary of terms, and a directory of entrepreneurship assistance organizations.

For information on PACE or to order, contact the Publications Department at the
Center on Education and Training for Employment, 1900 Kenny Road, Columbus, Ohio 43210-1090
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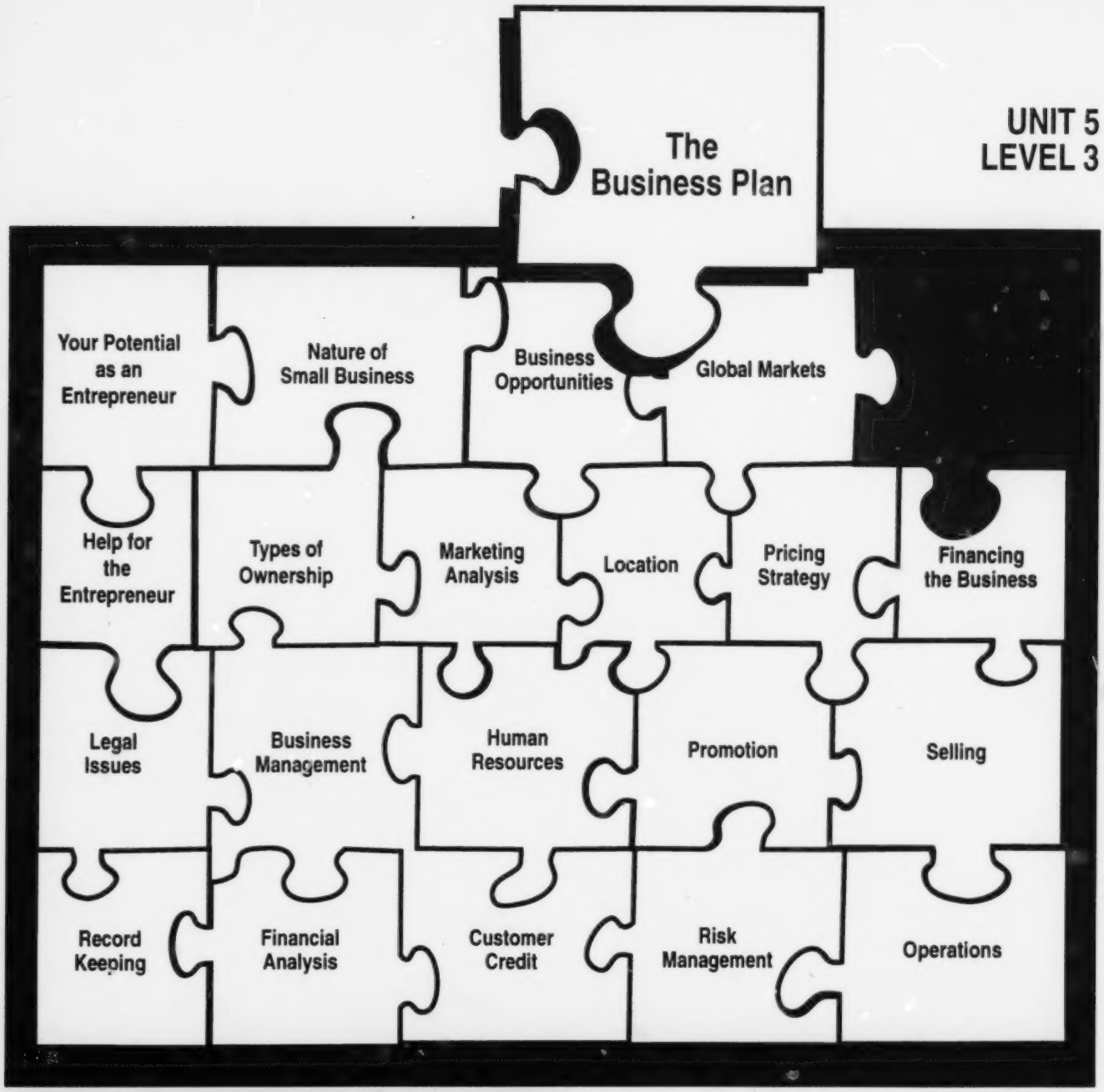
UNIT 5
LEVEL 3



PACE
THIRD EDITION

Program for Acquiring Competence in Entrepreneurship

CENTER ON EDUCATION AND TRAINING FOR EMPLOYMENT
COLLEGE OF EDUCATION
THE OHIO STATE UNIVERSITY

Research & Development Series No. 303-5

THE BUSINESS PLAN

BEFORE YOU BEGIN . . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read What are the Objectives for this Unit on the following page. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met in Level 1 and Level 2:

   Level 1

   - List the reasons for having a business plan.
   - Identify the components of a business plan.
   - Discuss the importance of a business plan.

   Level 2

   - Identify how a business plan contributes to the success of a business.
   - Identify the questions to be answered in a business plan.
   - Outline the components of a business plan for your business.
   - Discuss the importance of the presentation of the business plan.

4. Look for these business terms as you read this unit. If you need help with the meanings, ask your instructor for a copy of the PACE Glossary contained in the *Resource Guide*.

   Capital
   Capital equipment
   Cashflow analysis
   Income statement
   Initial public offering
   Projections
   Return on investment
   Security and Exchange Commission
   Seed money
   Venture capitalists
   Venture capital/risk capital

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THE BUSINESS PLAN

WHAT ARE THE OBJECTIVES FOR THIS UNIT?

Upon completion of this unit you will be able to—

- explain the importance of strategic planning for your business,
- explain how the business plan helps the entrepreneur,
- assess the need for conducting a feasibility study,
- apply basic communication skills to the development and presentation of your business plan, and
- describe how a business plan should be organized.

WHAT IS THIS UNIT ABOUT?

Every major undertaking requires careful planning. If you are planning to open your own business, before doing so you first need to develop an effective business plan. A business plan is a road map for starting and running a business.

This unit will help you organize the information related to business financing, financial analysis, marketing, risk management, operations, human resource management, and legal issues, as well as use this information to develop a business plan.

You will learn how to summarize your business projections into a proposal that clearly describes the business opportunity. You will also learn the mechanics of organizing and presenting the plan in an easy-to-follow and easy-to-understand document.

WHAT IS A BUSINESS PLAN?

A *business plan* is a written document that describes a business opportunity, the goals of the business as they relate to this opportunity, and the methods employed to achieve these goals. The business plan is designed to fulfill two objectives: first, to help you

plan for your business, and second, to raise money from investors and lenders.

Before deciding to open a business, you need to complete an *opportunity analysis*. An opportunity analysis determines whether there is sufficient potential for profit to signal new business success. Thus, we will be able to decide whether it is worth investing your time and money to produce a complete business plan. This preliminary step requires an indepth study of your product and market.

You should start by asking yourself the following questions:

- Who am I and what do I want to accomplish?
- Do I have the skills necessary to start a business or should I seek some kind of training first?
- What kind of technical assistance do I need (i.e., assistance from accountants, computer specialists, lawyers, management consultants, etc.)
- Can I afford the assistance I need?
- What worth does my business opportunity offer?
- Can I effectively relate this opportunity to the market and industry conditions?
- Will I be able to give up present benefits to concentrate on starting a business? Am I willing to take the risk, to invest time, money, and effort in such an enterprise?
- What do I expect from my business in the future? Where do I see myself 5, 10, 15 years from now?

Only after answering these questions should you develop an opportunity analysis and the subsequent business plan.

HOW DO YOU *STRATEGICALLY* PLAN FOR YOUR BUSINESS?

Entrepreneurs have always been enticed by the idea of owning their own businesses. However, you should understand that no matter how attractive a business undertaking is, there are always risks you will need to assume. Untold number of businesses are started in the United States. Unfortunately, all are *not* successful. In order to minimize the risk of failure, you need to strategically plan for your business.

The following section lists the steps you ought to take in order to develop a strategic plan.

A. Define the mission of your business.

This is a very important step which defines—

- the business you are in,
- why you want to be in that business,

- how the mission responds to your potential customers' needs, and

- why you believe the business is profitable.

B. Understand and make forecasts.

Forecasting is not just randomly guess about the future. Rather, forecasting is an important tool that helps you correctly plan for your business. It is useful to analyze forecast data developed by industry and market analysts. These are people in the business of forecasting future trends in population, economics (interest rates, inflation, business cycles, employment, etc.), competition, technological developments, consumer demand, political and social events, producer supply, etc.

The tools used by analysts are sophisticated and complicated. What is important is to understand the substance of forecasts and to apply them appropriately to your planning process. You, as the business owner, can best understand these forecasts as they apply to your particular business. For example, forecasts reflecting an economic downturn might hurt your business, especially if your product is expensive. Understanding this type of forecast will not reduce the risk to your business at start-up, but it will help you forecast sales more accurately.

C. Formulate your goals and objectives.

The ultimate goal of strategic planning is formulating goals and objectives. No matter how standard this might sound to some entrepreneurs, you should keep in mind that strategic thinking is a complex process. Nobody has ever formulated a perfect goal. However, formulating goals and objectives also should not be a trial-and-error process.

You should formulate realistic, clearly stated goals. There is no reason to set goals that will never be achieved. This does not mean that you should not raise the stakes. Setting 10-feet goals will help you adjust your actions, as well as challenge yourself and your employees to reaching them. Be reasonable on how and when these goals will be achieved. To gauge your progress, set long-term and short-term objectives. Examples of short-term objectives include increasing quarterly sales by 5 percent or cutting expenses by 3 percent. Long-term objectives might include opening a new store, expanding a new facility, or increasing market share by 0.5 percent.

Be prepared to adjust your objectives at all times. To facilitate this process, complete *contingency plans*. These plans are also referred to as "what-if" plans. By developing contingency plans, you avoid having to plan again "from scratch." In fact, contingency plans are actually versions of your master plan adjusted for different scenarios.

HOW DOES THE BUSINESS PLAN HELP THE ENTREPRENEUR?

Every business needs a clearly defined plan. As an entrepreneur, you will count on the business plan as a roadmap for your future business operations. When you develop the plan, you should keep in mind that you plan for the lifespan of your business. Without planning, you could make mistakes that will cost you large amounts of money.

6

There are some aspects of running a business that can be learned as you go. Planning for your business is clearly *not* one of these. There is a great deal of complexity and difficulty involved in starting a business. It is important to realize that business start-ups include a wide range of activities for which you will need to make decisions right away. There is no time to establish what decisions should be made once you have opened the doors of your business. To avoid costly mistakes, you should plan in advance.

Beside serving a guiding role, the business plan will help you raise capital. *Capital* is the money and other property you will need in order to start and run a business. Start-up capital is often referred to as *venture capital* or risk capital, since there is always a degree of risk in business ventures. For this reason, investors who lend money to entrepreneurs are referred to as venture capitalists. Investors understand the risk involved in a business start-up and they expect compensation through future profits. They will lend you the *seed money* you need to finance your business. Seed money usually takes the form of a loan and it is offered by private investors, bankers, and other lending agencies.

In addition to making use of your personal savings or borrowing capital from your family, friends, associates, banks, or venture capitalists, you can raise capital through an *initial public offering* (IPO). If your business is organized as a corporation, you may offer and sell stock of your business to the public. This is usually the last resort used to raise capital for small business ventures. Investors consider this form of investing risky. On the financial markets, where stocks of thousands of companies are traded, your company's stock will compete with large firms that have a good reputation and are considered to be less risky to invest in.

If investors do decide to invest in your stock, they will offer their capital in exchange for an ownership stake in your company in the form of stock. This will put pressure on your business. In a way, stockholders will attempt to "control" your business and "force" it to become profitable in the very first years of operations. This is not to say that IPOs of small businesses are deemed to be unsuccessful. However, you should be aware of the pressure that financial markets put on your stock. If your company performs well, the stock will be bid up. Conversely, if your company is not profitable, investors will "punish" your management by bidding the stock price down.

You should also consider the costs involved with filing the records with the *Security and Exchange Commission* (SEC). The SEC is a federal agency empowered to regulate and supervise the selling of securities (i.e., stock, bonds, etc.) to prevent unfair practices on financial markets and to maintain a fair and orderly market for the investors. Each company that decides to go public must follow the regulations imposed by the SEC. You will need to hire consultants (i.e., accountants, lawyers) to assist you with filing the documents required by the SEC.

In addition to the above-mentioned disadvantages related to raising capital with IPOs, the entrepreneur should not interpret that he/she should not give up the concept of "going public." First, an IPO has the benefit of raising capital without using all of the entrepreneur's personal savings. Going public helps the entrepreneur to raise capital from many small individual, rather than a few

large, investors. From this standpoint, it is easier for the entrepreneur to deal with the public investors than with venture capitalists. Venture capitalists have an important say in how you run your business. This is because, unlike public investors who can trade their stock freely on the market, venture capitalists tie their money in the business venture for years and years.

Finally, going public will help the business to become more involved in the community. The presence of public investors might assist the entrepreneur in attracting high-quality managers and in facilitating deals with other businesses in the community.

It is up to the entrepreneur to decide how to raise capital. The business owner should weigh the advantages and disadvantages of each option and decide what is best for his/her business.

No matter which option you choose to raise money, your business plan is a sales tool that convinces the investors and lenders that they will be rewarded for taking the risk and lending you money. In order to be convincing, you will need to develop a crisp, clear, comprehensive, self-explanatory business plan.

WHY DO YOU NEED TO DEVELOP A FEASIBILITY STUDY?

To perform an *opportunity analysis*, you need to relate your business opportunity to the *target market*. The target market is the segment of the market that your business chooses to serve. Make sure that your product is a good fit with the market you target. For example, it would be difficult to sell snowmobiles in San Diego.

To analyze your business opportunity, you also need to perform an *economic analysis*. This analysis assesses the overall conditions of the area where you plan to locate your business. The economic analysis includes a thorough study of the economics, population, competitors, layout, and public transportation. (For more information on economic analysis, see PACE Unit 9, Location.)

Next, you need to complete a *preliminary business plan* to estimate overall costs involved with starting your business and to determine the profitability of the business. Your analysis must show when the business will start to recover the initial capital investment and generate a profit. This process is referred to as a *feasibility study*.

The goal of a feasibility study is to determine the likelihood that the business will fulfil the objectives of its investors. To do this, the entrepreneur should develop a *projected monthly cashflow* for the first year and a *projected annual cashflow* for the first 3 years of operations. A cashflow statement is an analysis of all changes that affect cash during a period of time. This statement shows both *sources of cash* (e.g., cash from a loan, the entrepreneur's personal saving, or sales) and *uses of cash* (i.e., acquisitions of equipment, payments of salaries/wages, insurance, taxes, utilities, raw materials, etc.).

In addition to the cashflow analysis, a *projected income statement* for the first 3 years of operations is also developed. The income statement, also referred to as the *profit-and-loss statement*, shows the operating results in terms of profits over a specific period of

time, usually 1 year. The income statement shows revenues from sales, expenses incurred to start and stay in business, and profits.

Looking at the projected cashflow and income statements, the entrepreneur can see whether the business will be able to generate profits in the first 3 years. To show that a business is profitable, the entrepreneur computes *return on investment* and other accounting ratios that measure profitability. (For more information on financial ratios, see PACE Unit 18, Financial Analysis.)

It is important to understand that your feasibility study is mainly based on assumptions. These assumptions are realistic only if your economic analysis is an accurate reflection of the current market conditions. If your market analysis correctly assesses the market trends, needs, and your competition, the assumptions you make about your sales projections will be accurate. Similarly, you need to review market prices to estimate the investment in equipment, machinery, and inventory correctly.

Furthermore, the market analysis assists in properly pricing your product/service to help ensure its marketability. Each of the above components represents a part of the feasibility study (e.g., you need to estimate the price of your product/service in order to project your sales).

Keep in mind that all subsequent sections of your business plan rely on these assumptions. Capital expenditures (i.e., the amount of money you need to spend to buy equipment, machinery, supplies, etc.), labor expenses, debt expenses, insurance, utilities, and all other expenses cannot be correctly estimated if your market analysis is inaccurate or incomplete.

HOW SHOULD A BUSINESS PLAN BE ORGANIZED?

There are as many ways to develop a business plan as there are entrepreneurs. You should understand that there are no written rules of how to write a business plan. However, you also should be aware that there are a number of general guidelines that should be thoroughly covered by the business plan if you want your plan to succeed. Bankers receive thousands of business plans each year. Relatively few of them convince the bank that their business idea is worth taking the risk of lending money.

Traditionally, a business plan includes the following sections:

1. Cover Sheet

The cover sheet should include—

- name of business,
- name of officers,
- addresses and telephone numbers of business/officers, and
- date (should be dated as of the date business plan is presented).

2. Table of Contents

This section should not be more than one page. The purpose of the table of contents is to help the reader to locate the section of interest easily.

3. Executive Summary

This section should state the purpose and objectives of the business plan.

If the entrepreneur's intent is to raise capital for an existing business, he/she should briefly state the legal structure (e.g., if the business was incorporated, state where and when the business was incorporated), and the change the business plan addresses (i.e., why the entrepreneur needs to raise money).

The executive summary should be a concise summary of your marketing, financial, operational, and management/organizational plans. Usually, a brief description of your markets and products is also included in this section.

Keep in mind that some people will only read the executive summary. For this reason, this section should capture the entire business plan.

4. Description of the Business

In this section, you should describe the business opportunity offered by your business. Explain what your products/services are, as well as the advantages and disadvantages relative to your competition.

Describe the competitive edge of your products/services as it is reflected in technological features, quality, customer training, price, location, costs, distribution channels, suppliers, etc.

If you have been in business for a while, give a brief description of the history of your business. Discuss your work experience and the expertise and that of your partners, associates, and managers.

Explain the growth opportunities of your business and your reasons for believing your business will be successful.

5. Marketing Plan and Market Analysis

Introduce the marketing strategy you will use to enter the market and gradually gain your market share. Your marketing plan should illustrate how you will market your product/service to make a profit.

Carefully define your target market and analyze its size and nature. Explain why you chose that market. Describe your potential customers, how you plan to attract and hold them, their financial profile (i.e., income), needs, purchasing behavior, price sensitivity, etc.

Assess your direct and indirect competition. Compare the business practices of your competitors to your own. Analyze the number of competitive firms, their location, distribution channels, suppliers, pricing strategies, and competitive advantages.

Outline your sales promotion plan, advertising programs, selling methods, purchasing plan, suppliers, distributors, research and development, etc.

Discuss the advantages of your location, and other factors that influenced your selection. Include a description of the layout, offices, plants, as well as equipment and machinery, if any.

Correlate your marketing plan to the market analysis. Show how customers' purchasing habits related to your marketing plan. Show how the four Ps of the marketing plan (product, price, promotion, and place) make a good fit with the market conditions (pro-

duct's life cycle, seasonality patterns, competition, etc.)

6. Management/Organizational Plan

In this section, describe your management personnel, their positions, and exactly what tasks each position entails. Show the number of employees you will need, their tasks, methods of employment, pay, training, and supervising procedures.

Also, discuss any consultant or specialist services you will use and the assistance they will provide.

Describe the legal structure of the business and how it will contribute to the business. Name your officers and draw an organizational chart if the structure of the business is more complex. Explain the compensation methods and levels, as well as employment contracts, partnership agreements, patents, trade secrets, and any other legal contracts that apply to the business. Discuss the licenses, permits, and state and federal regulations that affect your business.

7. Operations Plan

Although many people think about the operational plan as applying only to manufacturing businesses, you should understand that every business needs to plan for its operations. This plan assesses the business location, layout, and their adequacy in relation to the facilities, equipment, machinery, fixtures, and furnishings you need to run the business.

Quality control procedures, inventory, and production methods, as well as raw materials and finished goods purchasing methods are also included in the operations plan.

8. Financial Plan

First, the financial plan needs to assess the *capitalization plan* or the sources and uses of funds analysis. Show how much money comes from your personal savings and how much money you need to raise and how you will raise it (i.e., borrow it from friends, family, bank, venture capitalists or go public). Show how you expect to use the money on capital expenditures (e.g., purchase raw materials, finished goods, improve the building, etc.). Specify the return on investment your business will offer in the future to the investors and lenders.

Sometimes, you need to show in detail how you plan to spend the money to start your business. In this respect, you need to create a *capital equipment list* that includes all equipment, machinery, fixtures, and furnishings needed by the business. This list may help you obtain a loan; the capital equipment can serve as a loan collateral.

The financial projections give the reader an idea of what direction is your business going. Include a *beginning balance sheet* to show the financial condition of the business as of the date the business is started.

The financial plan should also show a *projected monthly income statement* for the first year of operations and a project yearly statement for the first 3 years of operations.

Similar to the income statement projections, the plan should include monthly cashflow projections for the first year and yearly projections for the first 3 years.

Make sure your projections are "reasonable." You are not making them "conservative" by only stating that your projections are con-

servative. Do not rush into projecting moderate growth rates in sales for the first year, followed by a sharp increase in sales in the second or third year. Make sure your growth rate assumptions are credible. Do not try to "fool" bankers and venture capitalists with your assumptions; they have seen hundreds maybe thousands of business plans.

The financial plan might also include a *break-even analysis*. This analysis identifies the point at which expenses equal *gross revenue* (i.e., sales revenue less costs of goods sold). At this point, as the term "break even" suggests, the business does not show a profit, but does not incur a loss either.

9. Appendices

Appendices should include information that further supports the body of the business plan. You may include resumes of key management figures, articles from magazines and newspapers, summaries of market research studies, technical descriptions of your products or production processes. Try not to overload this section with too much information.

HOW DO YOU DEVELOP YOUR BUSINESS PLAN?

There is a great deal of literature on how to develop and present a business plan. This is because there is no one right way to write a business plan. However, you should understand that if the mechanics of your business plan are easy to follow and understand, it will be received more positively by bankers and investors. Following are some suggestions on how to develop a successful business plan.

Before you even start thinking about *how* to write a plan, it needs to be clear in your mind *why* you want to write it. Remember that a partial purpose of your plan is to raise capital for a new venture; in addition, the business plan could be used for ongoing project in your business. In each case, keep in mind that the purpose of your business plan is twofold. First, you need to develop a plan for yourself to be able to start and run your business. Second, you write the plan for the purpose of rasing capital. In this respect, your business plan must relate to each of these functions.

The next step is to *organize and analyze the data*. You might find it helpful to use a loose-leaf notebook with dividers as you collect the information about the market, competitors, industry, and the needs of your business. Based on this information, you will make important decisions. Structure the information in separate sections of your notebook. For example, you should include data on consumer behavior, income, frequency of purchase, dollar amount spent on average purchase, and price sensitivity in the market analysis section. Follow the outline presented in this unit to organize your data as you gather it.

When you are ready to develop the business plan, you will need to study the materials you have collected in each section. For this purpose, you might find it helpful to number your notebook pages and classify each section into subtopics. List the subtopic headings on note cards, reference the page numbers, and keep similar subtopics together. Arrange the cards into the same topics as the business plan outline. The next step

is to create a blueprint for the final version of your plan. The blueprint should be an accurate reflection of the plan's outline. The outline should easily lead the reader through a logical succession of these topics from introduction to end.

An important tool for presenting data is the use of *charts* and *graphs*. The purpose of creating charts and graphs is not to impress the reader, nor to make the business plan be more attractive. Rather, they should apply the principle "a picture is worth a thousand words."

You create graphs and charts to call the reader's attention to financial data and to facilitate the understanding of complex data.

Similarly, appendices should be developed to assist the reader in gaining a more indepth understanding the facts presented in the business plan. There is a tendency to skim through appendices. Do not rely on the fact that the reader will spend much time reading the appendices. The main role of appendices is to support in detail information contained in the business plan. For example, the background of officers and key management personnel are briefly presented in the organizational/management plan section. In this section you need to concentrate the information on the person's experience and expertise while making it appeal to the reader. Should the reader need more detailed information, he/she will refer to the resume in the appendices.

Finally, you will reach the point where you need to draft a final version of your business plan. You will be faced with a major task when you sit down to write your report. You must transfer what may seem a mountain of data into a readable proposal. Here again you need to follow the outline. It might be helpful to work out the financial statements before developing the written part. Clearly state your assumptions on a separate piece of paper in addition to the short explanatory sentences at the bottom of your financial statements. You will need to refer to these assumptions as you develop the plan.

HOW DO YOU USE BASIC COMMUNICATION SKILLS TO PRESENT A BUSINESS PLAN?

The most important issue to keep in mind when you write your business plan is to keep in mind your reader. Think about how many business plans bankers and investors must read a week. With this fact in mind, proceed to write your business plan.

In a business plan, quantity does not necessarily translate to quality. People may be intimidated by a "thick" plan. They must just skim through it with the idea that they do not have time to spend on the details anyway. For this reason, it is beneficial to keep the business plan around 20-30 pages.

Use short, clear, and crisp sentences. Do not force your reader to reread material. Eliminate words or sentences that are irrelevant to the understanding of your plan. Take charts or tables out if they do not assist the reader in understanding the data. Conversely, add charts if you believe the data is too complex to be comprehended only through the text explanations.

Type your plan in short paragraphs with clear headings. Include adequate white space. Make sure your final draft is error free. Do not rely exclusively on the spell-check feature of the word processor. Read the final draft several times. Have as many people as possible read your plan before presenting it in final draft to your banker or venture capitalist. Both proofread and edit your plan.

It is also most helpful to have a specialist or consultant read your plan before you submitting it. Specialists are able to spot mistakes that might occur in the financial plan section. These mistakes can change your profit numbers dramatically and may be a reason for your investors to reject the plan at the very first glance.

Use a laser printer and good-grade paper to obtain a high-quality printout. Create a well-designed cover page and use a functional binder to give your business plan a nice appearance.

No matter how well-written your business plan is, you will not achieve your goals if nobody reads it. The appearance of the report presents your reader with a positive first impression. Always think about your reader as a person who has hundreds of other business plans to read. Your plan has to be one of the very best in order to convince the reader that your business idea is worth of taking the risk.

Following is a sample business plan that will help you better understand how a plan should look in final draft. Refer to the Activity section in this unit for details.

SAMPLE BUSINESS PLAN*

Stained Glass Products and Retail Services Store

Plainview-Old Bethpage DECA Chapter

Plainview-Old Bethpage High School

Central Park Road

Plainview, New York 11803

Jeffrey David Dorf

29 Mitchell Avenue

Plainview, New York 11803

April 25, 1989

* Sample business plan used by permission of the Distributive Education Clubs of America (DECA). For additional sample business plans, contact the above at 1908 Association Drive, Reston, VA 22091-1594

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I. INTRODUCTION

The proposed business to be called the *Spectrum Stained Glass Showcase Corp.* will be located on Long Island in the town of Plainview, New York, which is on the border of Nassau and Suffolk Counties, approximately 33 miles due east of New York City. The business will be located in a well-managed, heavily trafficked, and clean shopping center that is centrally situated in a prosperous trading area. This shopping center has ample parking and provides a comfortable and attractive atmosphere for the many customers of the thirty retail stores. No similar or competitive businesses exist in the immediate area.

The proposed business will have on display and for sale a vast array of stained glass items, some of which will include: stained glass murals and wall displays, personalized gifts, mirrored glass, ceiling light panels and fixtures, and lamps, etc. Similarly, the proposed business will also be active in the manufacturing of customized stained glass products for four consumer markets: Luxury Building Construction; Business/Commercial; Religious Institutions; and Residential/ Homeowners. In addition, the business will sell retail supplies and equipment and offer student workshops in the design and construction of stained glass.

The Spectrum Stained Glass Showcase Corp. will be open on Monday through Friday (9:00 a.m. to 6:00 p.m.); Saturday (10 a.m. to 5 p.m.); and Sunday (12 p.m. to 4 p.m.). All deliveries for stained glass installations will be scheduled Monday through Friday. To make the most effective use of the rented space, customers will walk into a beautifully decorated showroom with many different stained glass wall and floor displays. In a separate area behind the showroom will be a large workshop area where customized stained glass products will be designed and constructed, and students will be instructed after normal business hours. Adjacent to the workshop area will be storage racks and bins to house stained glass materials, tools, and equipment.

Sources of information, concerning critical decisions about the proposed business, were furnished by: Mr. Gerald McLoughlin, Attorney; Mr. William Spiegel, Accountant; Mr. Joseph Schwartz, Consultant with the Small Business Administration; and Mr. Eric Rottkamp, Assistant Bank Treasurer. Likewise, many business publications, trade journals, Small Business Administration pamphlets, and textbooks dealing with various aspects of starting a small business were utilized.

Some of the topics reviewed were: accounting, advertising, budgeting, business management, entrepreneurship, goal setting, insurance costs, inventory management, financial analysis, marketing, marketing research, site selection, staffing, and business start-up costs. Demographic information, and the size and location of various shopping centers in the trading area, were obtained from the Long Island Regional Planning Commission, as well as the Plainview Public Library. Business cost data pertaining to real estate, leasing, start-up costs, and other business costs for the previously mentioned shopping center were obtained from the Kimco Corp., Roslyn, New York.

Practical knowledge and useful ideas about many of the artistic and business aspects of operating a stained glass enterprise were generously furnished by owners and managers of stained glass

businesses in the United States (excluding New York State). The names and addresses of these businesses were provided by the Stained Glass Association of America, 1125 Wilmington Avenue, St. Louis, Missouri 63111. Of the sixty-five businesses that were contacted, thirteen responded (20%) to my three page questionnaire requesting information on small business management; employee responsibilities; customer sales; pricing and cost factors, etc.

My sincere appreciation is extended to Mrs. Gloria Jones for her guidance as faculty advisor to the Plainview-Old Bethpage High School DECA Chapter and her dedication to her students as a teacher of Business Ownership and Marketing. In addition, I wish to thank my parents, brother, and grandparents for their continuing encouragement and love prior to, during, and long after the writing of this proposal.

II. ANALYSIS OF BUSINESS SITUATION

A. Self Analysis

Since my early childhood, I have been involved in art and art-related fields. For the past two years, I have been creating intricately designed stained glass windows, lamp shades, jewelry boxes, hanging lighting fixtures, and decorative wall panels for sale to family members, close friends, and local area residents. The response has been overwhelmingly positive!

My interest in stained glass first began when I enrolled in a local community center which offered a class in the design and construction of stained glass. After several weeks of active participation, I realized that my interest was more than just one of passing time in a pleasant activity. I was completely enthralled with the idea that I could plan and design complex, beautiful, and original stained glass works of art.

With the assistance of the Stained Glass Association of America in St. Louis, Missouri, I compiled a list of businesses in my immediate area where I could participate in a summer apprenticeship program under a skilled stained glass craftsman. Fortunately, I found such a person who was willing to train me to become a stained glass artisan if I demonstrated that I possessed the necessary determination, creativity, and abilities. For ten weeks during each of three consecutive summers plus all my spare time, I worked diligently and learned all that I could, until I was told that I had achieved my goal: to become a creative and accomplished stained glass artisan.

In February of 1988, my work was displayed in two glass showcases at the Plainview Public Library. Within two weeks, I began to receive requests for my services as a stained glass artisan. By June of 1988, I was requested by the Plainview Chapter of the Veterans of Foreign Wars to submit my designs for constructing six stained glass murals to be placed in the main meeting room, each of which was to commemorate a historic scene of American involvement in a past war. After submitting detailed drawings and specifications; cost estimates for approval; a time schedule for completing this assignment, and an essay describing the importance of each mural, I was commissioned in July to complete the work by Thanksgiving Day In November.

As a result of this commission as well as many others, I am now regarded as a stained glass professional who creates artistic and high quality stained glass displays for public appreciation. Correspondingly, since the demand for my services far exceeds my available time; and I am a highly motivated, problem-solving entrepreneur, I welcome the challenge to manage my own stained glass business on a full-time basis.

To prepare myself for this endeavor, I have completed academic training in entrepreneurship and in the many diverse aspects of this business. The courses that I have completed which have given me a sound working knowledge of starting and operating a business in this specialized field, include: business ownership and marketing, art and design, computer-aided design, mechanical drawing, and college accounting. On October 22, 1988, I attended a Young Entrepreneurs Seminar at the SUNY Campus at Farmingdale, sponsored by the Small Business Administration. During the months of October and November, 1988, I attended other meetings sponsored by the Long Island Networking Entrepreneurs; and the Long Island Chapters of the Advertising Club; the American Society for Training and Development; and the Public Relations Society of America.

Since I have had several jobs in sales and customer relations, I feel confident that I will be able to work in close contact with people. By working well with all kinds of people, I have developed the ability to comprehend customers' special needs; interpret their ideas on paper; and help them arrive at a positive decision. I am considered to be a very outgoing and hardworking person who has consistently demonstrated readiness to take reasonable risks by investing my time and energy in fund raising and charity projects. Outside of my schoolwork, I am a volunteer at a local hospital, an Art Editor of my high school magazine, a disc jockey for the high school radio station, and an active participant in DECA, VICA, and SADD.

Although I am an enthusiastic person who strives to achieve important goals, I do not engage in new undertakings without first researching the alternatives and evaluating the possible outcomes. Most assuredly, I believe that the Spectrum Stained Glass Showcase Corp. will become successful and will eventually enable me to branch out into other art-related fields.

B. Trading Area Analysis

1. General Data: The proposed business (the Spectrum Stained Glass Showcase) will be located in the A & P Shopping Center in the town of Plainview which is on the border of Nassau and Suffolk Counties, about 33 miles due east of New York City. This shopping center in Plainview, New York, contains 30 retail stores, one of which is vacant and will provide 1,800 square feet of working space for the proposed business.

   The trading area for the business will comprise three townships in Nassau County (North Hempstead, Hempstead, and Oyster Bay); and five townships in the western part of Suffolk County (Huntington, Babylon, Islip, Smithtown, and Brookhaven). Using the town of Plainview as the focal point of the trading area, the average distance to the western end of Nassau

County is approximately 16 miles, while the average distance to the eastern end in Suffolk County is approximately 32 miles.

According to a recent report issued by the Long Island Regional Planning Board, the January 1, 1988 population of the trading area was 1,322,900 people in Nassau County and 1,260,630 people in the five western townships of Suffolk County. Due to the fact that it would be cost-prohibitive to seek customers in a market with a small population (approximately 32 to 54 miles past the end of the trading area), no attempt will be made to solicit business in the five eastern townships of Suffolk County.[1]

Nationwide, in 1988, the combined geographic area of Nassau and Suffolk Counties ranked: 10th in population; 11th in the number of total households; 9th in the dollar value of retail sales; and 1st in disposable income in the entire country[2]. Therefore, it is reasonable to conclude that the affluent communities of the Nassau and Suffolk trading area will be able to afford the stained glass products and services offered by the Spectrum Stained Glass Showcase Corp.

To get a clearer picture of the trading area, Table 1 below delineates demographic statistics that show: population, number of households, number of members per household, and median income level per household in each of the eight townships, comprising the trading area in Nassau and Suffolk Counties.

2. Competitive Data: There are nine primary competitors within the trading area shown below. Each competitor sells some products that are similar to those that will be sold by the Spectrum Stained Glass Showcase Corp. However, not one of the competitors offers the extensive services or the diversified mix of stained glass products to be provided by the proposed business in each of the six market segments. (See the enlarged view of the training area and the location of each competitor in Table 2.)

3. The demographic data and other business statistics for each of the townships in the proposed trading area were provided by Mr. Lee Koppelman, Director of the L. I. Regional Planning Commission, Hauppauge, New York on November 7, 1988.

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[1] The 1988 L. I. Regional Planning Report (issued by the Long Island Regional Planning Board, Hauppauge, NY 11787) indicated: "Historically in Suffolk County, the population of the five western townships has equaled more than 90% while the population of the five townships has equaled less than 10 percent," p. 5.

[2] "Current Statistics." *Long Island Business News*, 2150 Smithtown Avenue, Ronkonkoma, NY 11779, January 23 (1989), 9, 11.

TABLE 1
DEMOGRAPHICS OF TRADING AREA (1988)*

Name of Townships	Population As of 1/1/88	Number of Households	Members per Household	Median Income Level per Household in Township
NASSAU COUNTY				
North Hempstead	218,365	77,145	2.80	$51,029
Hempstead	770,700	260,803	2.88	$43,017
Oyster Bay	333,923	108,472	3.02	$47,488
SUFFOLK COUNTY				
Huntington	205,818	65,452	3.09	$48,570
Babylon	211,256	66,760	3.13	$37,318
Islip	306,487	92,988	3.22	$37,698
Smithtown	122,064	35,402	3.34	$46,101
Brookhaven	415,005	132,106	3.06	$35,632
MEDIAN	--	--	3.06	$43,390

* The demographic data and other business statistics for each of the townships in the proposed trading area were provided by Mr. Lee Koppelman, Director of the L. I. Regional Planning Commission, Hauauge, NY on November 7, 1988.

In order for the Spectrum Stained Glass Showcase Corp. to be successful, it will be necessary to seek a "competitive edge" by which the proposed business will have a special advantage over its competitors. To determine what this advantage should be, I analyzed various business aspects of the nine primary competitors in the trading area (see Table 3). This was accomplished by visiting each competitor's place of business at least twice, whereby marketing research techniques were utilized to make a comparative analysis of the perceived advantages and disadvantages of the competitors within the trading area. Likewise, by viewing each competitor as a source of information and not as an enemy, I was able to gather the required data by talking to their customers (whenever possible) about what the competitors do well and what they do poorly. As a result, I attempted to determine how and why they are satisfying customer needs; emulate what they do well; learn from their mistakes; evaluate their sales and pricing policies; and develop new and/or improved stained glass products and services to meet any threat that these competitors pose to my new business.

TABLE 2
PRIMARY COMPETITORS AND THE MARKETS THAT THEY SERVE*

	Building Construction Market	Business/ Commercial Market	Religious Institutions Market	Residential Homeowners Market	Retail Supplies Market	Student Workshop Market
NASSAU COUNTY						
1. Crystal Glass Massapequa, NY	--	--	--	Yes	Yes	Yes
2. Durham Studios Hempstead, N.	Yes	Yes	Yes	--	--	--
3. Grant Glass Lysnbrook, NY	--	--	--	Yes	Yes	Yes
4. Hi-Lite Studios Oyster Bay, NY	--	--	--	Yes	Yes	Yes
5. Tyson Stained Glass Workshop Manhasset, NY	--	--	--	Yes	Yes	Yes
SUFFOLK COUNTY						
6. Byron Studios, Brookhaven, NY	--	--	--	Yes	Yes	Yes
7. Islip Glass Islip, NY	--	--	--	Yes	Yes	--
8. New Moon Glass Greenlawn, NY	--	--	--	Yes	Yes	Yes
9. Somers Stained Glass Designs Deer Park, NY	Yes	Yes	Yes	Yes	--	--
10. Proposed Business Spectrum Stained Glass Showcase Plainview, NY	Yes	Yes	Yes	Yes	Yes	Yes

* A "Yes" indicates that the competitor actively seeks customers in this market segment: whereas, a "--" signifies that the competitor does not do any business (nor advertises to solicit any business) in this market segment.

TABLE 3
ANALYSIS OF THE ADVANTAGES AND DISADVANTAGES OF COMPETITORS WITHIN TRADING AREA

Characteristics to be Compared	Crystal Glass	Durham Studio	Grant Glass	Hi-Lite Studio	Tyson Glass	Byron Studio	Islip Glass	New Moon	Somer Designs
Annual $ Sales*	Medium	Very High	Low	High	Medium	Medium	Low	Low	Very High
Number of Markets Served	3	3	2	3	3	3	2	3	4
Location	Fair	Poor	Poor	Good	Poor	Poor	Poor	Good	Good
Space (sq. ft.)	1,500	2,000	900	1,600	1,400	1,300	950	1,200	2,200
Appearance	Good	Four	Good	Excel.	Good	Excel.	Good	Good	Excel.
Reputation and Product Quality	Good	Excel.	Fair	Excel.	Good	Good	Fair	Good	Good
Pricing	High	High	Medium	High	High	High	Low	High	High
Number of Employees	6	10	4	5	6	3	3	5	11
Courtesy/ Salesperson	Good	Good	Fair	Excel.	Good	Good	Fair	Good	Excel.
Years in Business	4	18	5	7	10	3	6	8	27

NOTE: ANNUAL DOLLAR SALES:

Very High ($500,000+)
High ($350,000-$500,000)
Medium ($200,000-$350,000)
Low (Under $200,000)

C. Market Segment Analysis

After conducting a marketing research survey of stained glass businesses in the United States (excluding New York State)[3], I was able to analyze each market segment in terms of projected monthly sales trends and purchasing characteristics of various customer groups, as delineated below in Table 4.

The Spectrum Stained Glass Showcase Corp. will serve six market segments: five primary consumer markets and one service market, as shown below in Table 5.

---

[3] Names of stained glass businesses in the United States were furnished by Mrs. Naomi Munday, Executive Secretary of the Stained Glass Association of America, located at 1125 Wilmington Avenue, St. Louis, MO 63111. Telephone number (314) 353-5128.

TABLE 4
PROJECTED SALES TRENDS AND PURCHASING CHARACTERISTICS OF CUSTOMER GROUPS IN MARKET SEGMENTS

	Building Construction Market	Business/ Commercial Market	Religious Institutions Market	Residential Homeowners Market	Retail Market & Student Workshops
Projected Sales Trends	High Spring & Summer Sales; Low $ Sales in Winter	Fluctuating Sales During Most Months of the Year	High Sales Prior to Christmas & Easter	Level Sales During Most Months of the Year	Stable Retail Sales/Month; Workshop Income Varies/ Month
Target Markets	Condominiums Cooperatives Private Homes	Corporate/Professional Offices Restaurants Hotels and Colleges	New Churches & Renovation to Existing Churches	Renovation to Private Homes, and Personalized Gifts	Retail Sales of Supplies & Equipment & Student Workshops
Customer Groups to be serviced in different markets	Interior Designers Architects Builders Contractors	Interior Designers Architects Builders Contractors	Architects Building Committees Religious Leaders	Interior Designers Private Homeowners	Homeowners and Hobbyists
Income of Customers	$1,000,000 and more	$1,000,000 and more	$250,000 and more	$35,000 and more	$25,000 to $75,000
Age and Sex of Customers	Not Applicable	Not Applicable	Not Applicable	Middle to Upper Class Age (>25 yrs.)	Mostly Females, Ages Vary
Max. Distance to be Travel by Customers in the Trading Area	16 miles in Nassau County, 32 miles in Suffolk County	16 miles in Nassau County, 32 miles in Suffolk County	16 miles in Nassau County, 32 miles in Suffolk County	16 miles in Nassau County, 32 miles in Suffolk County	10 miles in Nassau County, 20 miles in Suffolk County
Pricing Policy for Customers	Average to Low Prices	Medium to High Prices	Medium Prices	Medium to High Prices	High Prices
Delivery of Goods to Customers	Delivery & Installation at Job Site	Delivery & Installation at Job Site	Delivery & Installation at Job Site	Pick-up by Customers, Some Home Deliveries	Pick-up by Customers at Business Location

D. Analysis of Potential Location(s)

The site of a suburban shopping center is intentionally selected by a developer if it has easy accessibility and adequate space for onsite parking for customers of the various retail stores. Most surveys have consistently demonstrated that customers like a shopping center's convenience, whereby different types of retail stores are grouped together in one central location.

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TABLE 5
MARKET SEGMENT ANALYSIS IN TERMS OF TARGET MARKETS, CUSTOMER GROUPS, AND PRODUCTS

Market Segment	Target Markets	Customer Groups	Stained Glass Products & Services to be Provided to Customer Groups
Building Construction Market	Condominiums*, Cooperatives, Private Homes	Interior Designers, Architects, Builders, Contractors	Stained Glass Windows, Skylights, Insert Panels in Front Doors and Kitchen Cabinets, Sliding Glass Doors, Ceiling Lighting Fixtures and Panels, Room Dividers, etc.
Business/Commercial Market	Professional Buildings, Corp. Offices, Restaurants, Colleges, & Hotels	Interior Designers, Architects, General Contractors	Stained Glass Displays and Signs, Wall and Ceiling Lighting Panels, Hanging Lights & Fixtures, Skylights, Windows, Lamps, Mirrors, Murals, Room Dividers, Entry Door Panels, Laminated Safety Glass, etc.
Religious Institutions Market	New Churches & Renovation to Existing Churches	Architects, Building Committees, Religious Leaders	Restoration/Repair of Existing and New Stained Glass Windows and Panels for Churches; and the Installation of Laminated Safety Glass on Outside of Church Windows for Protection Against Whether and Vandalism
Residential/Homeowners Market	Renovation to Private Homes, and Personalized Gifts	Interior Designers, Private Homeowners	Stained Glass Lamps, Skylights, Replacement Windows, Mirrors, Insert Panels in Kitchen Cabinets, Front Entrance Doors and Furniture, Ceiling Lighting Panels & Fixtures, Murals, Personalized Gifts, etc.
Retail Supplies and Equipment Market	Retail Sale of Supplies Equipment, & Tools	Hobbyists and Homeowners	Different Colors and Styles of Stained Glass, Soldering Irons, Lead Came, Copper Foil, Cutting & Etching Tools, Stained Glass Patterns, Lamps Assembly Kits for: Brass Lamp Bases, Kaleidoscopes, Jewelry Boxes, Clocks, Wood Frames, Books & Other Supplies
Student Workshops/Service Market	Personalized Instruction of Students in the Art of Making Stained Glass	Hobbyists & Homeowners	**Basic**: Introduction to Stained Glass Using Copper Foil Method **Intermediate**: Lead Came Method for Making Stained Glass **Advanced**: Design & Construction of Stained Glass Molded Lamps

NOTE. "Definitions to Know," ***Building Management***, Trade Press Publishing, December 1988, p. 9.

Condominium = A form of ownership in which the owner gets title to a housing unit and an interest in the common area.

Cooperative Apartment = A type of ownership in which buyers get shares in a cooperative corporation that owns the building. These shares give the buyer a proprietary lease on an apartment in that building.

After looking at several local sites for my proposed business, I was informed by Mr. Pat Callan, a real estate agent with the Kimco Corp., Roslyn, N. Y., that a three-year lease with a two-year option for renewal could be signed with Kimco for 1,800 square feet of space at $20.96 per square foot. This rental cost is a composite of the following: lease ($17.80); taxes ($2.25); insurance ($0.16); and common area maintenance ($0.75). Based on a rental cost of $21.00 per square foot for 1,800 square feet of studio, shop, and storage space, the total annual rental cost is projected to be $37,800 for each of the first three years.[4]

In most respects, the newly renovated A & P Shopping Center in Plainview, New York, appears to be an ideal location for my proposed business; the Spectrum Stained Glass Showcase Corp. Several reasons that prompt this value judgment are:

1. The rental cost of $21.00 per square foot seems reasonable inasmuch as many other nearby shopping centers with less advantages cost substantially more.

2. This shopping center has easy customer accessibility due to an excellent system of adjoining highways and roads throughout the Nassau-Suffolk trading area.

3. It is an extremely well-managed, heavily trafficked, and clean shopping center that is centrally located in a prosperous two-county trading area.

4. This shopping center has ample parking and provides a comfortable and attractive atmosphere for the many customers and patrons of the thirty retail stores.

5. The retail stores include: an A & P Supermarket, a bakery, a bank, a camera store, a drugstore, a hardware store, a law office, a real estate agent, a restaurant, a travel agency, and nineteen other non-competitive stores.

III. PLANNED OPERATION OF PROPOSED BUSINESS

A. Proposed Organization

After consulting with Mr. Gerard McLoughlin, an attorney in Hicksville; Mr. William Spiegel, an accountant in Old-Bethpage; and Mr. Joseph Schwartz, the Director of the Small Business Administration in Farmingdale, I concluded that an S corporation would be the most appropriate form of organization for my business.[5]

---

[4] Mr. Pat Callan was interviewed by Jeffrey Dorf on November 10, 1988.

[5] Gerald McLoughlin, attorney in Hicksville; William Spiegel, accountant in Old-Bethpage; and Joseph Schwartz, director of the Small Business Administration in Farmingdale were interviewed by Jeffrey Dorf on December 1, 12, 21, 1988, respectively.

Organized under the laws of New York State (or any state), an S corporation: *cannot* have more than 35 shareholders; *cannot* have more than one class of stock; *cannot* have any non-individual shareholders or non-resident aliens as shareholders. The following steps indicate how a corporation can qualify as an S corporation:

a. An application for a charter is approved by the New York Department of State.

b. Form 2553, affirming in writing that all shareholders want to have the corporation treated as an S corporation, is filed with the Internal Revenue Service.

c. Form CT-6, "Election by a Small Business Corporation" is filed with the New York State Department of Taxation and Finance. The election for S corporation status is valid for the taxable year in which it is made and for all succeeding years. This status is terminated when the corporation no longer meets state laws or by a vote of the shareholders.

1. **Advantages**: Several advantages will result if the Spectrum Stained Glass Showcase operates as a corporation, and as an S corporation in particular. As an S corporation, the proposed business would be a legal, separate, and distinct entity that would continue even if a shareholder dies since shares could be transferred to others without affecting the business. In case of lawsuits by injured employees or others, my private resources could not be touched.

   Equally important, the proposed business, operating as an S corporation, would not be required to pay corporate income taxes on profits. The U. S. Internal Revenue Code permits an S corporation to avoid corporate taxation by having each shareholder report any corporate income and dividends received on his/her tax return[6]. Overall, an S corporation would provide the shareholders of the proposed business with the advantages of limited liability and avoidance of double taxation of corporate income.

2. **Disadvantages**: Correspondingly, there are several disadvantages to starting the proposed business as an S corporation. Taxes and fees are high; and the corporation would be subject to increased government regulation[7]. Reports and recordkeeping procedures would be more cumbersome and burdensome than those for a sole proprietorship or a partnership. Also, my powers as the Chief Executive Officer would be limited to those stipulated in the founding

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[6] "The Entrepreneur's Starter Kit." Cooperts and Lybrand, Certified Public Accountants, 1251 Avenue of the Americas, New York, NY 10020 (1988), pp. 13-19.

[7] "The S Corporation: Financial Reporting Considerations Under Changing Tax Rules." *The Practical Accountant*. Warren, Gorham and Lamont, Inc., 210 South Street, Boston, MA 02111 (September 1988), pp. 40-50.

charter, approved by the New York Department of State[8]. Moreover, operating my proposed business as an S corporation could make it a more impersonal form of business than a sole proprietorship.

3. **Planned Personnel Needs**: After the legal requirements are determined for establishing an S corporation, the next steps will be to: determine what skills and tasks must be performed; and decide what types of employees (in terms of qualifications, education, training, and/or previous work experience) must be hired to make my business a success. Since salespersons will be motivated to sell more when they are paid commissions (as a percentage of their sales), the payment of commissions will be considered after sales revenue and profit levels are calculated for 1990.

   In addition to myself, acting as the Chief Executive Officer/Business Manager, four full-time employees, and four part-time employees will be hired. The four full-time employees will include: one Stained Glass Craftsman, two Field Salespersons, and one Glazier/Installer. The four part-time employees will include: two Showroom Salespersons, one Apprentice/ Trainee, and one Truck Driver.

4. **Job Descriptions**: **The Chief Executive Officer/Business Manager** will supervise the entire operation of the proposed business and will train each employee and schedule all daily work assignments. As the Business Manager, I will meet with prospective customers; draw and submit most stained glass designs; develop cost estimates for approval based on: field surveys, architectural drawings and specifications, and personal data furnished by customers. I will order all equipment and supplies and will visit all installation sites to ensure that all aspects of the job conform to the customer's wishes and the contract. Also I will teach classes and seek new clients in each of the six primary market segments.

   The Craftsman will develop drawings for customer approval; determine the dimensions and location of each piece of glass to be cut, painted, stained, or etched; and paint details on faces, clothing, and backgrounds. After baking the stained glass in a gas kiln, and allowing the glass to cool, the Craftsman will reassemble all glass pieces on a full-scale drawing. After wrapping narrow lead strips in H channel form (lead came) or copper foil around each piece of stained glass, the Craftsman will drop beeswax into the spaces of the assembled pattern before soldering all pieces together.

   The Glazier/Installer will place lead came or copper foil between each piece of glass; solder all pieces together; spread cement over the exterior surface to fill in all spaces; and allow the cement to dry for seven days for weatherproofing. When necessary, the Glazier/Installer will visit the job site: to take measurements; assess actual working conditions; determine

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[8] "Your Business." New York Department of Economic Development, One Commerce Plaza, Albany, NY 12245 (1988), pp. 62-63.

the need for special tools, equipment, and scaffolding; remove and replace damaged/deteriorated stained glass panels, tie wires, and reinforcing bars; and/or install laminated safety glass on the outside of restored church windows and atrium ceilings, etc. for protection.

The Field Salespersons (one based in Nassau County, and one based in western Suffolk County) will prepare written cost estimates to cover projected material and labor costs; business overhead expenses; and anticipated profit. Using architectural drawings, and/or customer specifications, estimates prepared by Field Salespersons will describe: job conditions; number, color, and size of each piece of the pattern; if staining, painting, or etching is required; the extent of damage to glass panels, tie wires, and reinforcing bars due to weathering, dirt, or vandalism.

The Showroom Salespersons, working on an alternate work week schedule, will perform all financial and credit card transactions relating to sales; make appointments with customers; respond to telephone inquiries; and be able to locate all stained glass supplies, equipment, and sales literature. To assist customers in their selections, Showroom Salespersons will ask questions; analyze customer responses; and help them determine their preferences via stained glass displays and models, sales literature, samples of materials, and pictures and drawings in catalogs and pattern books.

The Apprentice/Trainee, working on a part-time basis, will learn how to handle and use different tools and paint brushes; cultivate the ability to copy, draw, and paint; cut, trace, and assemble simple stained glass patterns to improve manual dexterity; and determine the color, texture, shape, and other characteristics of glass.

The Truck Driver, working part-time, will transport stained glass materials, tools, supplies, and equipment, etc. to the job site, as well as perform other miscellaneous duties assigned by the Business Manager.

5. **Organization Chart**: The relationship of all positions in the Spectrum Stained Glass Showcase Corp. is delineated in the Organization Chart shown below in Table 6.

6. **Projected Annual Wages**: Wages to be paid to the nine employees will represent a significant part of the operating expenses during each fiscal year. Table 7 below illustrates a typical work week schedule for each employee of the proposed business.

The projection for each employees's wages, using hourly rates for similar type employees in other companies, was calculated below in Table 8:[9]

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[9] The different hourly rates for employees of the proposed business were furnished by Steven Starr, Employment Counselor with the Starr Personnel Agency, Syosset, NY who was interviewed by Jeffrey Dorf on January 17, 1989.

TABLE 6
ORGANIZATION CHART

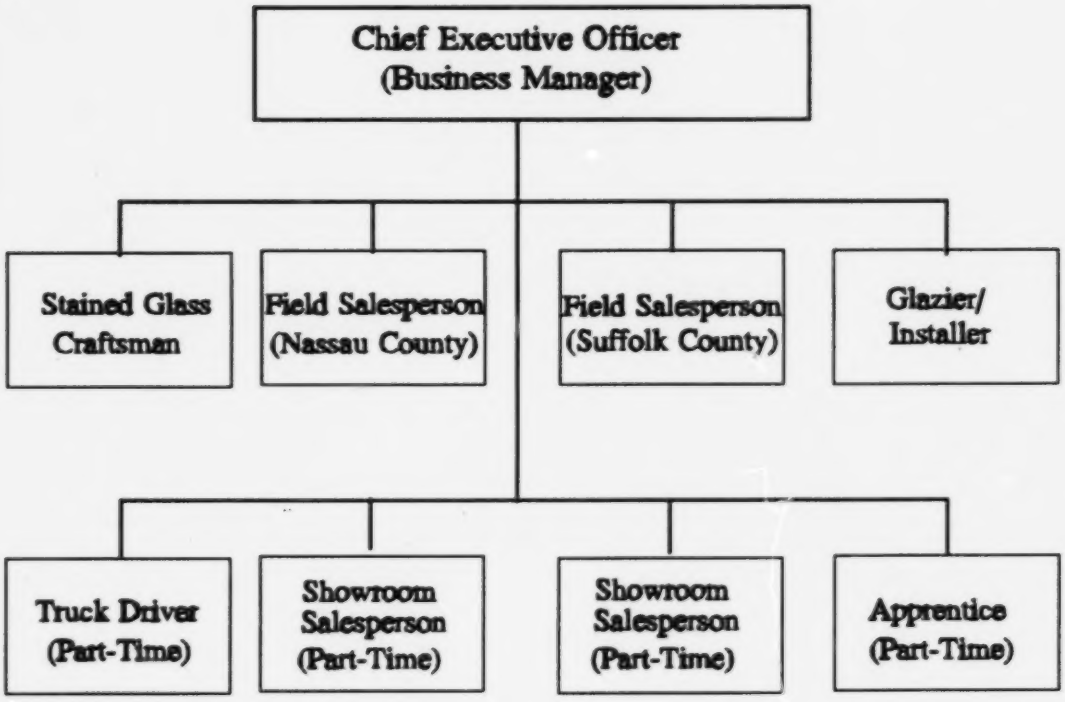

TABLE 7
TYPICAL WEEKLY WORK SCHEDULE (First Year)

	Mon	Tues	Wed	Thurs	Fri	Sat	Sun	Total
CEO/Business Manager	9	9	9	9	9	7	4	56
Craftsman	8	8	8	8	8	-	-	40
Showroom Salesperson A	9	9	5	5	-	-	-	28
Showroom Salesperson B	-	-	4	4	9	7	4	28
Field Salesperson (Nassau)	8	8	8	8	8	-	-	40
Field Salesperson (Suffolk)	8	8	8	8	8	-	-	40
Glazier/Installer	8	8	8	8	8	-	-	40
Apprentice	4	4	4	4	4	-	-	20
Driver	4	4	4	4	4	-	-	20

TABLE 8
PROJECTED TOTAL ANNUAL WAGES (First Year)

CEO/Business Manager		=	$ 33,000
Craftsman	$15.00/Hour x 40 Hours/Week x 52 Weeks/Year	=	$ 31,200
Showroom Salesperson A	$ 9.00/Hour x 28 Hours/Week x 52 Weeks/Year	=	$ 13,104
Showroom Salesperson B	$ 9.00/Hour x 28 Hours/Week x 52 Weeks/Year	=	$ 13,104
Field Salesperson (News)	$ 9.00/Hour x 40 Hours/Week x 52 Weeks/Year	=	$ 18,720
Field Salesperson (Suffolk)	$ 9.00/Hour x 40 Hours/Week x 52 Weeks/Year	=	$ 18,720
Glazier/Installer	$12.00/Hour x 40 Hours/Week x 52 Weeks/Year	=	$ 24,960
Apprentice	$ 5.25/Hour x 20 Hours/Week x 52 Weeks/Year	=	$ 5,460
Driver	$ 6.00/Hour x 20 Hours/Week x 52 Weeks/Year	=	$ 6,240

B. Proposed Products and Services

Stained glass which is glass that has been colored in the factory by the addition of various metallic oxides can readily be cut, shaped, and utilized in the construction of many different consumer products for sale.

1. **Proposed Manufactured Products**: No matter what consumer market or what stained glass products are being constructed to satisfy specific consumer needs (stained glass church windows, murals, skylights, lamps, lighting fixtures, personalized gifts, etc.) the same basic production operations are necessary to create original stained glass products. After customer approval of the design and colors, a black and white drawing called a cartoon is worked out on paper and scaled to the full size of the proposed product. Outlines on tracing paper indicate the shapes and patterns to which the pieces of glass are to be cut. Drops of beeswax are placed at the corners of the cut glass pieces to secure them together. When required, etching with hydrofluoric acid removes the thin top layer of glass to reveal the base glass underneath. Painting of special/detailed line work is next drawn directly on the glass; whereupon the separate pieces are placed in a kiln and fired to about 850°C. If required, silver stain is painted on the back of the glass and fired at a temperature of about 825°C. After narrow lead strips in H channel form (called lead came) are placed between each piece of glass and are soldered together, spaces are filled with cement for waterproofing. Some exterior work may require strengthening by using metal reinforcing bars.

2. **Proposed Non-Manufactured Products**: The sale of retail supplies and equipment for hobbyists will include a diverse selection of colors and styles of stained glass, copper foil,

lead came, soldering irons, brass lamp bases, wood frames, etching tools, cutting accessories, books, stained glass patterns and assembly kits for clocks, lamps, kaleidoscopes and jewelry boxes, and other assorted supplies, equipment, and tools.

3. **Proposed Services**: During the year, it is projected that 160 students will be instructed at night in the art of making stained glass at the studio. About ten students per class will participate every seven weeks in three different stained glass workshops: the Basic; the Intermediate; and the Advanced Design Stained Glass Workshop.

4. **Potential Suppliers**: As a retailer, I will purchase many different supplies, tools, and various pieces of equipment from wholesalers and manufacturers; and in the process, I will always remember:

> "All businesses should have several sources of supplies readily available. Relying on a single wholesaler or vendor can be risky, particularly if the primary supplying wholesaler or vendor goes out of business or changes marketing practices that directly affect your business[10]."

That is why I will let each of my wholesalers/vendors know that my stained glass business will purchase from multiple sources of supply. Although I will strive to achieve a cooperative relationship with them, I will encourage them to bid against each other to negotiate the lowest possible prices for their goods and services.

5. **Inventory Policies**: The difference between profit and loss for a business very often depends upon whether or not efficient inventory management and purchasing policies are followed. In order to maintain appropriate inventory levels for the Spectrum Stained Glass Showcase Corp., I will personally conduct a study to determine standardized quantities to be purchased; project rates of inventory turnover; and designate reorder points for each type of stained glass item to be stocked.

Equally important, for the purpose of upgrading the inventory and purchasing functions on a continuing basis, I will, in the capacity of Business Manager:

- compare prices, levels of quality, and delivery dates for all suppliers
- require that all quotations stipulating costs, specifications, and delivery dates, etc. are confirmed in writing and cross-referenced to suppliers' invoices

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[10] "The Pluses and Minuses of Opening Your Own Retail Shop." *The Crafts Report*, 700 Orange Street, Wilmington, DE 19801, pp. 1 and 20.

- install a computerized data base system to establish minimum reorder points for inventory control, and reduce the purchase of slow-moving items[11], as well as
- seek out other computerized business applications, such as software for accounts payable, accounts receivable, and computer-aided design, etc.

C. Proposed Marketing/Merchandising

1. **Proposed Pricing Policy**: Profit margins for the proposed business will be determined as follows: The average selling price of each stained glass product/service in each of the six market segments will cover all expenses and overhead, and provide a reasonable profit as listed below in the Projected Pricing Structure in Table 9.

TABLE 9
PROJECTED PRICING STRUCTURE FOR AN AVERAGE SALE IN EACH OF THE SIX MARKET SEGMENTS

Pricing Structure for Six Market Segments	Materials (@20%)	Labor (@50%)	Overhead (@16%)	Profit (@14%)	Average Sale Market (100%)
Building Construction	$130	$325	$104	$91	$650
Business/Commercial	300	750	240	210	1,500
Religious Institutions	500	1,250	240400	350	2,500
Residential/Homeowners	200	500	160	140	1,000
Retail Supplies & Equip.	43	--	--	42	*85
Student Workshops					
Instruction	--	50	--	50	*100
Purchase of Materials	40	--	--	40	*80

* **Pricing Considerations for Non-Manufactured Products and Services**: Markup of 100 percent will yield a 50 percent Gross Profit which will include overhead factors.

Since the Spectrum Stain Glass Showcase Corp. will be a retail establishment operating in a highly competitive trading area, it will be extremely important for me, as the Business Manager, to prioritized my business goals:

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[11] Curtis E. Tate. *Successful Small Business Management.* Plano, TX: Business Publications, Inc. (1985), p. 162.

- to identify customer needs, new marketing trends, and competitive pricing; as well as institute efficient inventory procedures for supplies
- to determine if the above projected pricing structure is sufficient to cover: all operating expenses; allowances for theft; waste of materials; uncollectible accounts; and unforeseen increases in labor, materials, and insurance costs, and
- to monitor the projected gross profit margins for all stained glass products.

During the first year, these goals will be difficult to accomplish in view of the fact that business records will be incomplete. Nevertheless, I realize that the success of my business venture will depend upon an honest and continuing reappraisal of profit margins for each of the stained glass products to be sold.[12]

2. **Proposed Policy on Payment for Goods and Services**: All goods and services will be paid in cash, personal certified checks, or major credit cards with at least two proofs of identification. At the time of the signed contracts, a 50 percent down-payment will be made for all stained glass products and/or services. To minimize the impact of long-term accounts receivable, all monies owed to the business will be paid by the customer at the time of delivery or installation at the job site. All terms and conditions pertaining to product design, quality of materials, special treatments, etc. will be clearly written; and no other changes will be allowed unless jointly approved by the customer and the Chief Executive Officer/Business Manager.

D. Proposed Promotional Program

1. **Personal Promotional Activities**: One of the most important considerations in determining the degree of success of the Spectrum Stained Glass Showcase Corp. will be the extent of the personal selling skills and product knowledge of its employees. From my previous business experience, I have learned that customers want friendly and courteous assistance while they are making decisions about purchasing stained glass products. Consequently, as the acting Business Manager, I will encourage the Showroom Salespersons and the Field Salespersons to:

   a. Be knowledgeable about all of the goods and services offered by the new business and be able to clearly convey this knowledge to all prospective customers.

   b. Develop self-confidence in their abilities to sell stained glass products and services to customers in each of the six market segments.

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[12] "Winning Ideas for Small Business Success." *Small Business Success Magazine*. Pacific Bell Directory, San Francisco, CA 94105, pp. 8-9.

c. Reassure all customers that their personalized stained glass creations will appreciate in value because of their uniqueness and quality of workmanship.

d. Stress the following concepts during sales presentations to potential customers:

"Our technical expertise and product knowledge are superlative; and our employees are skilled, hardworking, professional, and creative artisans."

"Our customers are offered hand-crafted stained glass originals that satisfy customer needs and wants at reasonable and competitive prices."

e. Inform prospective customers about the advantages and benefits of owning our customized stained glass products and using our specialized services.

f. Answer all pertinent questions about product features, workmanship, cost factors, proper maintenance, etc. to promote customer interest and potential sales.

g. Employ effective closing sales techniques, whenever appropriate, such as:

"Do you want your purchase delivered; or do you want to pick it up yourself?"

"If the order is correct, please sign it to signify your approval."

h. Call new customers to determine if the stained glass products recently purchased are satisfactory inasmuch as repeat customers will be one of the important mainstays of the Spectrum Stained Glass Showcase Corp.

i. Compile a mailing list of names and addresses of former customers so that they can be directly contacted to solicit future sales for the business.

j. Utilize a specially designed logo for sales promotion literature, business cards, office stationery, labels, tags, packaging, etc. in order to:

- establish an identity that customers will associate with my stained glass business to differentiate my work with that of my competitors[13], and

- build and enhance the public image of the Spectrum Stained Glass Showcase Corp. to gain a "competitive edge" in each of the six market segments.

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[13] Edward G. Krubasik. "Customize Your Product Development." *The Harvard Business Review, Graduate School of Business Administration.* Boston, MA: Harvard University (November-December 1988), p. 36.

2. **Non-Personal Promotional Activities**: The importance of advertising will be to tell the various customer groups in each of the six market segments about the stained glass products and services to be provided by the proposed business. The specific advertising goals of the Spectrum Stained Glass Showcase Corp. will be to:

   - stimulate sales by promoting customer awareness of available goods and services,
   - establish a quality image and build goodwill in each market segment, and
   - institute a well-defined and regularly scheduled advertising plan.

   In accordance with the **Percentage of Sales Method**, the most practical approach for formulating an advertising budget in 1990 will be to allocate 3 percent of the total projected sales revenue for advertising purposes, i.e.[14],

   3% of $375,600 = $11,268

   Therefore, to gain customer name recognition of our specialized stained glass products and services, selective advertisements will be placed in different business, religious, and professional newsletters and magazines; various publications to reach affluent homeowners and hobbyists; as well as the News and Suffolk County Yellow Pages (see the total projected advertising cost of $11,352 in Table 10 shown below).

3. **Media Availability and Costs**: The dominant media in the trading area (three townships in News County; and five townships in western Suffolk County) include: the national television networks, cable television, and a few daily newspapers. However, the cost of advertising in any of these media would be cost-prohibitive for the proposed business. Consequently, for the purpose of reaching as many prospective customers as possible in each of the six market segments in a cost-effective manner, the Spectrum Stained Glass Showcase Corp. will allocate:

   - $1,200 for pre-operational advertising in several publications; direct mail advertising to trading area residents; and public relations programs prior to the Grand Opening of the Spectrum Stained Glass Showcase Corp. on January 2, 1990[15], and

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[14] Vivien Ely and Michael Barnes. *Starting Your Own Business*. New York: McGraw-Hill, Inc. (1978), pp. 57 and 81.

[15] Darlene Koppel. "Ten Ways to Promote Your Product." *Direct Marketing Magazine*, 224 Seventh Street, Garden City, NY 11530, pp. 107-108.

TABLE 10
PROJECTED ADVERTISING COST VERSUS SALES REVENUE IN SIX MARKET SEGMENTS (1990)

Market Segments	Projected Advertising Cost/Market	Projected Dollar Sales Per Market
Building Construction Market	$1,995	$52,000
Business/Commercial Market	2,490	75,000
Religious Institutions market	2,040	62,500
Residential/Homeowners Market	4,102	125,000
Retial Supplies & Equipment Market	*725	32,300
Student Workshop/Service Market	*0	28,800
PROJECTIONS:	Advertising Cost= $11,352	Sales = $375,600

NOTE. The projected advertising cost for the Residential/Homeowners Market will include some of the advertising cost for the Retail Supplies Market and all of the advertising cost for the Student Workshops/Service Market.

- an average of $946 per month for advertising in the fifteen publications listed in the One-Year Promotional Plan for the proposed business.

4. **One Year Promotional Plan Outline**: A consistent, creative, and cost efficient advertising plan for the proposed business to reach the desired customers in each of the six market segments within the trading area is necessary to promote:

   - the name, logo, business hours, and easy to reach location of the new business
   - the uniqueness, originality, exquisite beauty, and other special characteristics of the stained glass creations made by highly experienced craftsmen
   - the large diversity of stained glass colors, patterns, giftware, and other products to choose from; as well as supplies, equipment, and tools for hobbyists, and

- the positioning of a favorable image and goodwill in the minds of the customers[16] toward the goods and services provided by the Spectrum Stained Glass Showcase.

To achieve these multifaceted goals, advertisements will be placed in accordance with the advertising frequency; size of page; and the annual cost for advertising i each of the fifteen different publications listed in Table 11.

TABLE 11
ONE-YEAR PROMOTIONAL PLAN FOR 1990 SPECTRUM STAINED GLASS SHOWCASE (Annual Advertising Schedule)

Name of Publication Published by: Organization, Business or Association	Times Published/Year Advert. Frequency, Size of Page	Annual Cost	Total Cost
BUILDING CONSTRUCTION MARKET			
The Builder			
Sheahan Publications	12 Issues/Year		
Huntington, NY 11743	4 Ads/Year, 1/32	$420	
Interior Design Magazine			
Cahners Publishing Co.	12 Issues/Year		
New York, NY 10011	3 Ads/Year, 1/16	$885	
NARI Newsletter			
National Assn. of the Remodeling Industry	12 Issues/Year		
Bayshore, NY 11706	12 Ads/Year, 1/2	$90	
The Podium			
American Institute of Architects of L. I.	12 Issues/Year		
Mineila, NY 11501	12 Ads/Year, 1/15	$600	$1,995
BUSINESS/COMMERCIAL MARKET			
Business Advance Newspaper			
Advancement for Commerce and Industry	6 Issues/Year		
Farmingdale, NY 11735	6 Ads/Year, 1/4	$750	
Long Island Business News			
Long Island Business News	52 Issues/Year		
Ronkonkoma, NY 11779	12 Ads/Year, 1/24	$840	
Long Island Magazine			
Long Island Business Association	11 Issues/Year		
Commack, NY 11725	6 Day/Year, 1/6	$720	
LIRCA Newsletter			
L. I. Restaurant and Catterers Association	12 issues/Year		
Melville, NY 11747	4 Ads/Year, 1/6	$180	$2,490

[16] "Image Building." *The Competitive Advantage Newsletter*, 3265 NW 29th Avenue, Portland, OR 97210, p. 7.

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Name of Publication Published by: Organization, Business or Association	Times Published/Year Advert. Frequency, Size of Page	Annual Cost	Total Cost
RELIGIOUS INSTITUTIONS			
The L. I. Catholic Newspaper			
Catholic Press Assn. of the Diocese of Rockville Center Hempstead, NY 11550	52 Issues/Year 12 Ads/Year, 1/12	$1,416	
Modern Liturgy Magazine			
Resources Pub. (N. E. Edition) San Jose, CA 95112	10 Issues/Year 4 Ads/Year, 1/12	$624	$2,040
RESIDENTIAL/HOMEOWNERS MARKET			
L. I. Good Living Magazine			
Good Living, Inc. Jericho, NY 11753	10 Issues/Year 6 Ads/Year, 1/12	$1,860	
Nassau County Yellow Pages			
NYNEX Telephone Company Garden City, NY 11530	1 Issue/Year 1 Ad/Year, 1/32	$1,322	
Suffolk County Yellow Pages			
(2 Books/Western Suffolk Co.) Melville, NY 11747	1 Issue/Year 1 Ad/Year, 1/32	$920	$4,102
RETAIL SUPPLIES & EQUIPMENT MARKET			
L. I. Arts, Fine Crafts, & Collectively Directory Massapequa, NY 11758	1 Issue/Year 1 Ad/Year, 1 Page	$125	
Bi-Monthly Newsletter for Antiques & Collectibles Greenvale, NY 11548	26 Issues/Year 12 Ads/Year, 1/15	$600	
Nassau County Yellow Pages	(Retail Ad Costs Included in Ad Costs for Residents/Homeowners Market)	--	
Suffolk County Yellow Pages (2 Books/Western Suffolk Co.)		--	$725
STUDENT WORKSHOP MARKET			
Nassau County Yellow Pages	(Workshop Ad Costs Included in Ad Costs for Residents/Homeowners Market)	--	
Suffolk County Yellow Pages (2 Books/Western Suffolk Co.)		--	--
ADVERTISING COSTS FOR ONE-YEAR PROMOTIONAL PLAN			
Annual Advertising Allocation			$11,352
Monthly Advertising Budgeted Allocation[17]			$946

[17] Since the primary purpose of advertising is to communicate and promote the products and services provided by the Spectrum Stained Glass Showcase Corp., an average of $946 will be allocated each month for advertising in the fifteen publications previously listed in Table 11: The One Year Promotional Plan. In addition, all advertising and sales promotion will be specifically tailored to directly influence potential customers in each of the six market segments.

IV. PLANNED FINANCING

A. Projected Income and Expenses

1. **The Projected Monthly Income Statement** for the Spectrum Stained Glass Showcase Corp., including the pre-operational start-up costs (prior to December 31, 1989)[18] and the calendar year from January 1, 1990 through December 31, 1990, are presented on the following pages. This statement (also known as the Profit and Loss Statement) shows how much money a business makes or losses during the year.

   Overall, an Income Statement matches the amounts of money received from selling goods and services against all of the costs and outlays incurred in order to operate a business. The result is a net profit (or loss) for the fiscal year. The costs incurred usually consist of the cost of the goods sold; operating expenses, such as: rent, utilities, depreciation, advertising, insurance, interest on money borrowed, wages, federal and state taxes, legal/accounting fees, etc.

   In 1990, the projected net income of $40,876 for the Spectrum Stained Glass Showcase Corp. will equal the projected revenues of $375,600 from sales of stained glass products and services in the six market segments minus the projected expenses of $259.604. The first year's sales revenue of $375,600 was projected as follows:

Building Construction Market	80 Sales x $ 650/Sale	=	$ 52,000
Business/Commercial Market	50 Sales x $1,500/Sale	=	$ 75,000
Religious Institutions Market	25 Sales x $2,500/Sale	=	$ 62,500
Residential/Homeowners Market	125 Sales x $1,000/Sale	=	$125,000
Retail Supplies & Equipment Market	80 Sales x $ 85/Sale	=	$ 32,300
Student Workshops Market			
Student Instruction	160 Wkshp x $ 100/Student	=	$ 16,000
Purchase of Materials	160 Wkshp x $ 80/Student	=	$ 12,800
TOTAL, PROJECTED SALES REVENUE AFTER FIRST YEAR		=	$375,600

[18] The pre-operational start-up costs, occurring prior to the Grand Opening, total $48,000.

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Some of the projected business expenses for the Spectrum Stained Glass Showcase Corp. in 1990 (the first year of operation) are assumed as follows:

The **payroll taxes** taken out proportionately from weekly paychecks for hourly employees include: Social Security (FICA), Federal Unemployment Tax, and State Unemployment Tax. In 1990, the FICA will be a 7.51 percent tax on wages up to $48,000. The Federal and State Unemployment Taxes will be 0.008 percent and 0.03 percent, respectively, on the first $7,000.

The **utilities cost** (projected at $3.00 per square foot for gas heating and electricity for similar size stores) is projected to be $5,400 in 1990. The assumed monthly telephone bill of $150 is projected to cost $1,800 for the first year. The cost of **business insurance**, projected to be $300 per month, and $3,600 in 1990, will include: insurance for property damage, business interruptions, liability, fidelity bonds, disability benefits, workers' compensation, etc.

Advertising costs will include sales promotion expenses for the Grand Opening and monthly advertisements (see One Year Promotional Plan. **Office supplies** will include postage, stationery, small equipment, and other office supplies.

The **average monthly depreciation** expenses of $730 for fixed assets was calculated for the delivery van; improvements and carpeting; and fixtures and equipment[19]. The expense for operating the used delivery van (to transport stained glass materials, tools, supplies, and equipment to the job site; and finished custom-made stained glass windows and other products to the customer) is projected to be $100 per month with an added projected cost of $200 every three months for maintenance and repairs.

Other expenses not listed above will fall under **miscellaneous expenses**.

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Schedule for Fixed Assets	Purchase Price	Useful Life*	Annual Depreciation	Monthly Depreciation
Delivery Van	$ 9,000	3	$3,000	$250
Improvements & Carpeting	9,540	3	3,180	265
Fixtures & Equipment	12,720	5	2,544	212
Total	$31,260		$8,724	$727

USE: $730/Month

* Page 1 of the IRS Publication #534 (Rev. Dec. 88) states: "Property is depreciable if it meets these requirements:
1) It must be used in business or held for the production of income.
2) It must have a determinable life longer than one year.
3) It must be something that wears out, gets used up, becomes obsolete, or loses value from natural causes."

2. **The Projected Quarterly Cashflow for the First Year** can be utilized to develop an estimated cash budget that can help to determine if the **net cash balance** (surplus or deficit) is adequate to satisfy the financial obligations f the Spectrum Stained Glass Showcase Corp. The net balance ($43,336) for the 1990 calendar year was calculated by subtracting the total operating expenditures ($320,264) from the projected cash receipts ($375,600). Likewise, by adding the net cash balance from the prior quarter to the current quarter's cash surplus (or deficit) the new projected annual cash balance was calculated to be $43,336.

3. **The Projected Balance Sheet at the End of the First Year** represents the financial picture as if the operation of the Spectrum Stained Glass Showcase Corp. were momentarily at a standstill on one particular day: December 31, 1990. The Balance Sheet is divided into two sections that are always in balance: Assets, and Liabilities and the Stockholders' Equity.

   Assets include: **current assets** (cash; accounts receivable from customers; inventories of unfinished, partially finished, and finished goods ready for delivery to customers; and other assets to be turned into cash within one year) and **fixed assets** (property and equipment not intended for sale that are used over and over on a long-term basis like my delivery van and kiln.

   Liabilities include: **current liabilities** (accounts payable owed to creditors of the business; notes payable to the bank; wages owed to employees; interest on borrowed funds; and other debts due in the current year); and **long-term liabilities** (debts due after one year from the date of the Balance Sheet). Capital stock represents shares of ownership of the business; in this case: common stock with an $8.00 par value. **Capital surplus** is the amount paid in by shareholders over the assigned par value printed on each share of capital stock. **Retained earnings** equal the profit less dividends paid per share of stock to the shareholders[20].

   Since the Spectrum Stained Glass Showcase Corp. will operate as an S corporation, the Stockholders' Equity ($40,876) is projected to equal the Total Assets ($79,376) minus the Total Liabilities ($38,500).

4. **Projected Five-Year Plan**: This plan represents an estimate of future operations and will serve as an operating plan for the financial management and growth of the Spectrum Stained Glass Showcase Corp. The total projected revenue from sales of stained glass products and services for the six primary market segments (Building Construction; Business/Commercial; Religious Institutions; Residential/Homeowners; Retail Supplies and Equipment; and Student Workshops) minus the total cost of goods sold will equal the annual gross profit. Likewise, the projected annual gross profit of the proposed business minus the total annual expenses will equal the projected net profit, as shown below for 1990 through 1994. During this five-year time frame, the net profit is projected to be: $40,876 in 1990; $57,944 in 1991; $77,368 in 1992; $99,415 in 1993; and $124,383 in 1994.

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[20] "How to Read Financial Report." Merrill Lynch Pierce Fenner & Smith, January 1984.

SPECTRUM STAINED GLASS SHOWCASE CORP.
Projected Monthly Income Statement Start-up; January through April, 1990

	Start-up Prior to 12/31/89	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Total
Revenue from Sales	–	28,000	29,500	31,000	33,000	35,000	37,000	29,000	29,500	33,500	32,500	29,600	28,000	375,600
Cost of Goods Sold														
Opening Inventory	$6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Purchase of Goods	–	5,600	5,900	6,200	6,600	7,000	7,400	5,800	5,900	6,700	6,500	5,920	5,600	75,120
Total Goods Avail. for Sale	6,000	11,600	11,900	12,200	12,600	13,000	13,400	11,800	11,900	12,700	12,500	11,920	11,600	81,120
Less Closing Inventory	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000
Costs of Goods Sold*	0	5,600	5,900	6,200	6,600	7,000	7,400	5,800	5,900	6,700	6,500	5,920	5,600	75,120
Gross Profit on Sales	0	22,400	23,600	24,800	26,400	28,000	29,600	23,200	23,600	26,800	26,000	23,680	22,400	300,480
Operating Expenses														
Professional Fees	1,000													
Prepaid Advertising	1,200													
Miscel. as of 12/31/89	1,000													
Salaries**														
CEO/Business Manager		2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	2,750	33,000
Craftsman		2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	2,600	31,200
Showroom Salesperson		2,184	2,184	2,184	2,184	2,184	2,184	2,184	2,184	2,184	2,184	2,184	2,184	26,208
Field Salesperson		3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	3,120	37,440
Glazier		2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080	2,080	24,960
Driver & Apprentice		975	975	975	975	975	975	975	975	975	975	975	975	11,700
Rent		3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	3,150	37,800
Advertising		946	946	946	946	946	946	946	946	946	946	946	946	11,352
Supplies		75	90	110	125	110	95	90	105	120	110	90	80	1,200
Telephone		150	150	150	150	150	150	150	150	150	150	150	150	1,800
Utilities		450	450	450	450	450	450	450	450	450	450	450	450	5,400
Insurance		300	300	300	300	300	300	300	300	300	300	300	300	3,600
Delivery Van (Used)		100	100	300	100	100	300	100	100	300	100	100	300	2,000
Dues & Subscriptions		60	60	60	60	60	60	60	60	60	60	60	60	720
Legal/Accounting Fees		200	200	200	200	200	200	200	200	200	200	200	200	2,400
Payroll Taxes		1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097	1,097	13,164
Interest Payment Loan		209	209	209	209	208	208	208	208	208	208	208	208	2,500
Depreciation		730	730	730	730	730	730	730	730	730	730	730	730	8,760
Miscellaneous		100	100	100	100	100	100	100	100	100	100	100	100	1,200
Total Expenses	(3,200)	$21,276	$21,291	$21,512	$21,326	$21,310	$21,495	$21,290	$21,305	$21,520	$21,310	$21,290	$21,480	$259,604
Net Income (Loss)	(3,200)	$1,124	$2,309	$3,289	$5,074	$6,690	$8,105	$1,910	$2,295	$5,280	$4,690	$2,390	$920	$40,876

* The Cost of Goods is assumed to be equal to 20 percent of the projected Revenue from Sales. The current stock of inventory is assumed to always equal $6,000.

** The projection for each employee's salary, using hourly rates for similar type employees in other companies, was calculated in Table 8.

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SPECTRUM STAINED GLASS SHOWCASE CORP.
Projected Quarterly Cash Flow (First Year)*

	Start-up (Prior to 12/31/89)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total 1990
Cash Receipts and Loans						
Loan from Bank	$38,000					
Loan from CEO/Business Manager	10,000					
Manager						
Cash Sales	--	$88,500	$105,000	$92,000	$90,100	$375,600
Total Available Cash	$48,000	$88,500	$105,000	$92,000	$90,100	$375,600
Expenditures:						
Pre-Operational Start-up Costs						
Professional Fees	$1,000					
Rent Deposit (2 months)	6,300					
Utilities	900					
Telephone Deposit	340					
Fixtures and Equipment	12,720					
Improvements and Carpeting	9,540					
Delivery Van (Used)	9,000					
Merchandise Inventory	6,000					
Advertising and Sales Promotion	1,200					
Promotion						
Miscellaneous	1,000					
Total Start-up Costs	$48,000					
Repayment of Bank Loan (Principal & Interest)		$3,000	$3,000	$3,000	$3,000	$12,000
Operating Expenses:						
Inventory Replacement		$17,700	$21,000	$18,400	$17,020	$75,120
Salaries						
CEO/Business Manager		8,250	8,250	8,250	8,250	33,000
Craftsman		7,800	7,800	7,800	7,800	31,200
Showroom Salespersons		6,552	6,552	6,552	6,552	26,208
Field Salespersons		9,360	9,360	9,360	9,360	37,440
Glazier		6,240	6,240	6,240	6,240	24,960
Driver and Apprentice		2,925	2,925	2,925	2,925	11,700
Rent		9,450	9,450	9,450	9,450	37,800
Advertising		2,838	2,838	2,838	2,838	11,352
Supplies		275	330	315	208	1,200
Telephone		450	450	450	450	1,800
Utilities		1,350	1,350	1,350	1,350	5,400
Insurance		900	900	900	900	3,600
Delivery Van (Used)		500	500	500	500	2,000
Dues & Subscriptions		180	180	180	180	720
Legal/Accounting Fees		600	600	600	600	600
Payroll Taxes		3,291	3,291	3,291	3,291	13,164
Miscellaneous		300	300	300	300	1,200
Operating Expenses	0	$78,961	$82,316	$79,701	$79,286	$320,264
Total Expenditures	$48,000	$81,961	$85,316	$82,701	$82,286	$332,264
Cash Surplus (Deficit) for the Period	$0	$6,539	$19,684	$9,299	$7,814	$43,336
Cash Balance from Prior Period	0	$6,539	$26,223	$35,522	$43,336	

* First Quarter represents January, February, and March 1990, Second Quarter represents April, may, and June 1990, etc.

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SPECTRUM STAINED GLASS SHOWCASE CORP.
Projected Balance Sheet as of December 31, 1990

ASSETS		
Current Assets:		
Cash	$43,336	
Merchandise Inventory	6,000	
Total Current Assets		$49,336
Fixed Assets:		
Fixtures and Equipment	$12,720	
Improvements & Carpeting	9,540	
Delivery Van (Used)	9,000	
Subtotal	$31,260	
Less: Accumulated Depreciation	8,760	
Total Fixed Assets		$22,500
Other Assets:		
Security Deposits		
Rent (2 months)	$9,500	
Utilities (2 months)	900	
Telephone	340	
Total Other Assets		$7,540
Total Assets		$79,376
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current Portion of Bank Loan	$9,500	
Total Current Liabilities		$9,500
Long-term Liabilities	$19,000	
Bank Loan Due After 12 Months	10,000	
Loan From Owner		
Total Long-term Liabilities		$29,000
Total Liabilities		$38,500
STOCKHOLDERS' EQUITY		
Common Stock, $8.00 Par Value*		
Authorized 1,000 Shares		
1,000 Shares Issued & Outstanding	$8,000	
Capital in Excess of Stated Value	$2,000	
Retained Earnings	$30,876	
Total Stockholders' Equity		$40,876
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY		$79,376

* Judith McQuown, Inc. *Yourself: How to Profit by Setting Up Your Own Organization.* New York, NY: Warner Books, 1981, p. 32. "Par Value means the value or price at which a corporation's stock is issued. If a share of stock has a par value of $8.00, there must be $8.00 in the treasury to back it when the share of stock is initially sold or transferred."

SPECTRUM STAINED GLASS SHOWCASE CORP.
Projected Five Year Plan
January 1 Through December 31, 1990

	Year 1 1990	Year 2 1991	Year 3 1992	Year 4 1993	Year 5 1994
Projected Sales Revenue	$375,600	$413,160	$454,476	$499,924	$549,916
Projected Cost of Goods Sold	75,120	82,632	90,895	99,985	109,983
Projected Gross Profit	300,480	330,528	363,581	399,939	439,933
Less: Projected Total Expenses	259,604	272,584	286,213	300,524	315,550
Projected Net Profit	40,876	$57,944	77,368	99,415	$124,383

NOTE. BASIC PLANNING ASSUMPTIONS UTILIZED FOR PROJECTED FIVE-YEAR PLAN:

1. The Projected Revenue from Sales in each of the six primary market segments, as indicated on page 26, will increase approximately 10 percent each year.
2. The Projected Cost of Goods Sold (assumed to be equal to 20 percent of the Sales Revenue in 1990) will be assumed to be 20 percent in 1991 through 1994.
3. The Total Projected Expenses will increase 5 percent each year due to inflation.
4. The Projected Net Profit will be sufficient to repay the following loans in 1993:
   —the interest and principal on the four-year bank loan of $38,000, and
   —the interest and principal on the personal loan of $10,000 made by the Chief Executive Officer/Business Manager.

B. Proposed Plan to Meet Capital Needs

1. *Certificate of Incorporation*: Since the proposed business will operate as an S corporation, it will be essential from a cashflow perspective that the effects of any long term financing be distributed over several years. However, before securing a long-term loan from a reputable bank, it will be necessary for my lawyer to file a "Certificate of Incorporation" with the New York State Division of Corporations at a cost of $100. Under New York State Business Law, being 18 years old and having at least three stockholders are the only qualifications required to form a corporation.

   After the "Certificate of Incorporation" is signed, filed and approved, I will request that my lawyer verify with the New York State Division of Corporations ($20 fee) that the proposed name of the business is available and distinguishable from other corporate names on file, and advise me on other business matters. Under the laws of New York State, every new corporation must pay an organization tax at the rate of 1/20 of 1 percent of the par value amount of all par value shares issued by the corporation.

   Upon incorporating my proposed business, I will, acting as the Chief Executive Officer/Business Manager, hold an organization meeting for the purpose of adopting bylaws; electing di-

rectors to hold office until the first annual meeting of the share holders; and transacting other business that may come before the meeting. Once the Spectrum Stained Glass Showcase is incorporated, initial capital will be obtained by selling "shares" in the corporation, represented by stock certificates.[21]

2. *Business Corporation Law*: After incorporating, I will be required to keep the following information at my business location: the names and addresses of all shareholders; the number and class of shares held by each shareholder; and the dates when the shareholders became owners of stock in the Spectrum Stained Glass Showcase Corp. After completing and filing the certificates for incorporating my business as an S corporation, the next step will be to talk to a bank officer about how to complete an Installment Loan and Security Agreement requesting a bank loan; and financial documentation, such as a Projected Monthly Income Statement; a Quarterly Cashflow Projection; a Projected Balance Sheet; and a Projected Five-Year Financial Plan.

3. *Installment Loan and Security Agreement*: After personal credit records, projected financial statements, and a completed Installment Loan Note, are reviewed by a financial bank officer, the long-term loan will either be approved or disapproved. Acting as the Chief Executive Officer, I will request that the bank loan $38,000 to the proposed business to cover most of the pre-operational start-up costs, According to bank policy, a long-term loan ($38,000 in this case) must be guaranteed by 70 percent of secured marketable stock and/or bonds (minimally worth $54,300) at the time of appraisal.[22] As a result of this information, I concluded that I could make available 1,360 shares of General Motors Common Stock as secured collateral with a current value of $54,400, based on the current market price of $40 per share.

4. *Repayment Plan for Bank Loan*: The repayment loan terms under the Installment Loan and Security Agreement will be as follows: a 12 percent fixed annual rate of interest each year; and a $1,000.35 payment every month to the bank for 48 months to pay the interest charge and the principal. This type of repayment schedule does not appear to be a financial burden for the proposed business if all basic planning assumptions and projections hold true during the term of this four-year loan.[23]

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[21] "The Corp. Handbook: A Guide for Corporations Doing Business in New York State." New York State Division of Corporations, State Records Bureau of Corporations, 162 Washington Avenue, Albany, NY 12231, 1977.

[22] Mr. Eric Rottkamp, Assistant Treasurer, Barclays Bank, Plainview, New York; interviewed by Jeffrey Dorf on January 23, 1989.

[23] A. D. Janowicz and R. D. Hirsch. "Intuition in Small Business Lending Decisions." *Journal of Small Business Management*. Bureau of Business Research, West Virginia University, Morgantown, WV 26506 (July 1987), pp. 45-52.

5. *Repayment Plan for Personal Loan*: A long-term personal loan in the amount of $10,000 will be made by the Chief Executive Officer/Business Manager to the proposed business prior to December 31, 1989 to provide for the remaining portion of the pre-operational start-up costs, not covered by the bank loan of $38,000. The long-term personal loan of $10,000 plus interest at the fixed annual rate of 10 percent will be repaid out of business profits in 1993.

6. *Five-Year Cashflow Projection*: This projection, shown below, demonstrates the ability of the proposed business to repay the $38,000 Installment Loan and Security Agreement at a fixed rate of 12 percent per year for each of four years. By subtracting total annual expenditures from total annual cash receipts, this projection indicates the net increase in cash each year. During the five-year time frame, the increase in cash is projected to be: $43,336 in 1990; $56,876 in 1991; $72.371 in 1992; $75,420 in 1993; and $122,213 in 1994.

SPECTRUM STAINED GLASS SHOWCASE CORP.
Five-Year Cash Flow Projection
January 1 Through December 31, 1990

	Start-up Costs Before 12/31/89	Year 1 1990	Year 2 1991	Year 3 1992	Year 4 1993	Year 5 1994
Cash Receipts & Loans						
Loan from Bank	$38,000					
Loan from CEO	10,000					
Cash Sales	0.00	$375,600	$413,160	$454,476	$499,924	$549,916
Total Receipts	$48,000	$375,600	$413,160	$454,476	$499,924	$549,916
Expenditures						
Start-up Costs	$48,000	0.00	0.00	0.00	0.00	0.00
Operat. Expenses/Costs		$320,264	$344,284	$370,105	$397,864	$427,704
Repymt of Bank Loan		12,000	12,000	12,00	12,000	0.00
Repymt of CEO Loan		0.00	0.00	0.00	14,641	0.00
Total Expenditures		$332,264	$356,284	$382,105	$424,504	$427,703
Total Increase in Cash	0.00	$ 43,336	$ 56,876	$ 72,371	$ 75,420	$122,213

NOTE. BASIC PLANNING ASSUMPTIONS UTILIZED FOR FIVE-YEAR CASH FLOW PROJECTION:

1. The four-year bank loan will be repaid by the business by December 31, 1993.
2. The loan to be repaid to the Chief Executive Officer/Business Manager by the business is subordinated to the bank's loan and will be repaid in 1993.
3. Cash Receipts will increase at a projected rate of 10 percent per year.
4. Operating Expenditures will increase at a projected composite rate of 7.5 percent per Year (10 percent for Cost of Goods Sold; and 5 percent for Operating Expenses).

V. CONCLUSION

The Chief Executive Officer/Business Manager of the proposed business (the Spectrum Stained Glass Showcase) which will operate as an S corporation is requesting a four year long-term loan

in the amount of $38,000 to be repaid at a fixed interest rate of 12~ each year with a monthly payment of $1,000.35 for interest and principal. This loan will be secured by 1,360 shares of General Motors Common Stock equal in value to $54,400, based on the current market price of $40 per share.

The many key aspects of this proposed business venture have been thoughtfully planned and discussed with a lawyer, an accountant, a banker, a real estate agent, and a Small Business Administration consultant, all of whom have indicated a willingness to serve as future advisors. As the Chief Executive Officer/Business Manager, I will: plan and supervise the entire operation of the proposed business; select and train all employees to perform the necessary sales and creative production functions; schedule all daily work assignments; develop cost estimates and preliminary drawings for customer approval; and develop a cost-effective promotional advertising plan.

Moreover, acting as the Chief Executive Officer/Business Manager, I am eminently suited to manage the affairs of the proposed business since my qualifications include:

—an artistic talent to create unique and beautiful stained glass products for sale
—an educational background in entrepreneurship, business drawing, college accounting, etc.
—an innate ability to work in close contact with people; and an understanding of the necessity to treat each customer as an individual with special needs, and
—a sincere determination to make this enterprise profitable by hard work, and by planning and organizing the resources of the business to achieve desired goals. Other important factors that will also contribute to the success of this business, include: a location in a heavily trafficked, well-managed shopping center in a prosperous trading area; a three-year lease at a reasonable cost; a creative advertising plan; and research indicating that this business will be the only one in the trading area to provide unique stained glass products and services for all six market segments.

Indubitably, since the Spectrum Stained Glass Showcase Corp. will be successful, I respectfully suggest that this loan is "good business" and should be approved.

ACTIVITIES

The following activities are designed to help you apply what you have learned in this unit.

INDIVIDUAL ACTIVITIES

A.

Read the sample plan carefully to gain a comprehensive understanding of how a business plan is developed. Pay special attention to the financial statements. Make sure you understand how these statements are developed.

B.

Develop a business plan for your business. If you do not own a business, choose a business you want to be in and try to develop the plan using assumptions and creativity. Use the business plan outline in this unit and the sample business plan for *Stained Glass Products and Retail Services Store* as a guide.

GROUP ACTIVITIES

A.

Work in groups of four to six. Use Individual Activity B to discuss how each member of your group developed the business plan. Pay particular attention of the assumptions each member made for his/her business plan. Discuss these assumptions as a group and establish in what section of the business plan they apply.

B.

Continue working in teams. Delegate one member of the team as leader. The leader is to explain how he/she developed a financial statement in his/her business plan. The rest of the group is to ask questions pertaining to assumptions, computations, and accounting formulas used to develop the financial statements. Rotate the leader to exhaust all financial statements (i.e., beginning balance sheet, projected monthly income statement, project yearly income statement for the three years, etc. Also include the capital expenditure list and the sources and uses of funds statement.)

C.

Continue working in groups. Review the sample business plan presented in Individual Activity A. Each member of the team is supposed to respond to the following questions about to the sample business plan:

1. Where does it state clearly what business you are planning to conduct?

2. Where does it state clearly that you are solving a demonstrated customer need and how does it support assumptions with facts about your customer's behavior?

3. Where does it list objective measures of success that you will use to evaluate progress during your first years?

4. Where does it indicate significant advantages that your business will have over its competitors?

5. Where does it indicate areas of weakness that must be monitored closely?

6. Where does it demonstrate that a sound management plan is in place to implement and control the strategy and operations developed within the plan?

7. Where does it define the major risk factors involved in this business venture?

8. Where does it state clearly how you will use the investors' funds sought in the plan?

9. Where does it state clearly the assumptions on which your financial and operational projections are made?

CASE STUDY

Kevin Mondini's family has owned the El Dorado Ice Cream Company for three generations. When Kevin's great grandfather emigrated from Italy to the United States, he invested all his money in opening an ice cream parlor in Arizona. Kevin's grandfather says: "Our family has always been fed from this business. We have always worked hard and our customers love us. We've never had to look for a job to make money. I hope you, Kevin, will also keep up with the good work."

Kevin is proud of his family's business. He has helped in the store since he was 10 years old. While in high school, he learned how to make ice cream following the family's traditional recipes. Kevin went to college to earn a degree in marketing. While in college, he learned quickly how to run the parlor. Suppliers enjoyed working with him. Customers would always comment on what a fine assistant manager he makes.

Kevin's parents realize now it's the time to hand the business over to their son. Kevin will graduate next quarter and will need to really start building on his future business career. The ice cream business is growing rapidly. Customers from the other side of town keep asking the Mondinis whether they plan on opening another ice cream parlor across the river.

Although four more salespersons and an extra delivery driver have been recently hired, the Mondinis barely can keep up with the orders. "I don't know how we started to grow so quickly. What I know is that both my wife and I wake up at five in the morning and come home at midnight. I think we are getting old. Thank goodness Kevin will graduate soon. He will be the one to take over."

Kevin has been seriously considering expanding the ice cream business for a couple of years. He has tried to get prepared for this possibility by taking several accounting and finance classes, in addition to his marketing classes. However, Kevin knows that if his family were to open a new ice cream parlor, he will need some professional help to manage the new business's finances. He is also concerned about how the expansion should be financed. Although El Dorado Ice Cream Company has had an excellent profit performance for the past 5 years, Kevin does not want to destroy his family's financial security. He realizes that although his parents will still be around to help him with the business, the time when they will retire is not so far away.

After speaking with the family's accountant, Kevin understood that things were even more complicated than he thought. "We already have an accounting system in place," the accountant said to Kevin. "But you need to understand that these financial statements will only help you assess El Dorado's profit performance and maybe develop financial projections for the new store. There are many other issues you ought to consider. It's not an easy task to expand this business, Kevin."

DISCUSSION QUESTIONS

1. What should Kevin do before expanding the ice cream business?

2. How could the financial statements of the existing operation help Kevin develop a business plan for the new parlor?

3. Other than financial information, what needs to be included in the business plan?

4. How should Kevin finance the new business?

ASSESSMENT

Read the following questions to check your knowledge of the topics presented in this unit. When you feel prepared, ask your instructor to assess your competency on them.

1. What are the major sections of the business plan?

2. List options the entrepreneur can use to secure funds to start and operate a business.

3. Explain the concept of initial public offering. What are some advantages and disadvantages related to this capital raising option?

4. What are the steps an entrepreneur should take prior to developing a business plan?

5. Explain how basic communication skills should be used to develop an effective business plan.

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PACE

Unit 1. Your Potential as An Entrepreneur
Unit 2. The Nature of the Small Business
Unit 3. Business Opportunities
Unit 4. Global Markets
⇨ Unit 5. The Business Plan
Unit 6. Help for the Entrepreneur
Unit 7. Types of Ownership
Unit 8. Marketing Analysis
Unit 9. Location
Unit 10. Pricing Strategy
Unit 11. Financing the Business
Unit 12. Legal Issues
Unit 13. Business Management
Unit 14. Human Resources
Unit 15. Promotion
Unit 16. Selling
Unit 17. Record Keeping
Unit 18. Financial Analysis
Unit 19. Customer Credit
Unit 20. Risk Management
Unit 21. Operations
Resource Guide
Instructor's Guide

Units on the above entrepreneurship topics are available at the following levels:

* Level 1 helps you understand the creation and operation of a business
* Level 2 prepares you to plan for a business in your future
* Level 3 guides you in starting and managing your own business